# FINANCIAL TIMES

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**Spy case that will not go away, Page 19**

## World news

# Israelis kill two Palestine students

At least two Palestinian students died and at least 20 were injured when Israeli soldiers opened fire on demonstrators at the occupied West Bank town of Bir Zeit, north of Jerusalem.

The disturbances focused on Bir Zeit University campus and the bloodshed was reportedly triggered when a lecturer was beaten by a soldier. According to the army, troops fired first into the air and then at the legs of students.

Later, more trouble flared outside the hospital at Ramallah, to which the dead and wounded had been rushed. This time, plastic bullets were used.

### Egypt foils plot

Egypt said it had thwarted a plot by Moslem extremists to overthrow the government and arrested 30 people, four of them army officers. Page 5

### Grenada verdicts

A Grenada High Court jury found 14 former military and government officials guilty of the murder of Prime Minister Maurice Bishop during a 1983 coup. Among those found guilty were former Deputy Premier Bernard Coard and his wife. All face the death penalty.

### South African strike

Nearly 5,000 black miners went on strike at the Grootvlei gold mine near Johannesburg after police shot a miner dead in violence that followed a union meeting. Page 5

### Harare frees five

Zimbabwe released five political detainees, including two whites held on charges of spying for South Africa. The move was seen as helping the merger of the country's two political parties. Page 5

### German water crisis

Water supplies to thousands of homes in the Bavarian city of Augsburg were shut off and people complained of illness after water pipes coated with poison paint were installed by mistake.

### Irish nuclear plea

The Irish Parliament called unanimously for closure of Britain's Sellafield nuclear reprocessing plant where the operators are investigating a 50,000 gallon spillage of radioactive waste into the Irish Sea.

### British appeal set

Britain was granted permission to appeal against a New South Wales Supreme Court order to hand over secret documents to former MI5 agent Peter Wright and his legal advisers. The hearing was set for next Thursday. Page 5

### Swedish police row

A political row is brewing in Sweden after 12 detectives involved in the hunt for the murderer of Prime Minister Olof Palme resigned because of disagreement with the police chief who heads the investigation. Swedish newspapers have called for the chief's removal. Page 20

### $14m SDI contracts

US Defence Secretary Caspar Weinberger announced $14m in Star Wars contracts to US and European companies. Page 3

### Taj Mahal rescue

India is to close two thermal power plants as part of a long-term programme to curb air pollution in Agra which is turning the white marble of the Taj Mahal yellow.

### Only the best

A Jordanian who said he never touched the stuff bought the world's most expensive bottle of white wine for £39,600 ($59,000) at Christie's in London. The rare 1784 Chateau d'Yquem was believed to have once belonged to US founding father Thomas Jefferson.

## Business summary

# Coca-Cola to buy back 10m shares

COCA-COLA, world's biggest producer of soft drinks intends to buy back up to 10m shares and gear up on its equity base by as much as $1bn. Page 21

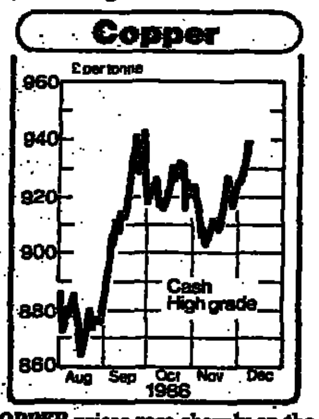
DEUTSCHE BANK, biggest bank in West Germany, is to pay a bonus dividend to shareholders after making DM 1bn ($507m) profits through flotation of the former Flick industrial empire. Page 21

WALL STREET: The Dow Jones industrial average closed 7.50 down at 1,939.88. Page 42

LONDON: Nervousness over official inquiries into share dealings continued to unsettle prices. The FT Ordinary index slipped 3.2 to 1,265.9 and the FT-SE 100 lost 5.0 to 1,610.1. Page 42

TOKYO: Buying gained further strength reflecting investor hopes for still higher prices. The Nikkei stock average added 168.89 to 18,623.95. Page 42

**Copper**




COPPER prices rose sharply on the London Metal Exchange with the price of grade A metal closing at £939.75 per tonne, up £16.50. Prices were buoyed by continuing strike action at Noranda's Horne smelter in Quebec. Page 36

GOLD fell $5 to $387.50 on the London bullion market. It also fell in Zurich to $388.95 ($393.25). In New York the Comex February settlement was $391.7. Page 36

DOLLAR closed in New York at DM 2.0020; SFr 1.6775; FFr 6.5590 and Y163.00. It rose in London to DM 1.9920 (DM 1.9725); It also rose to Y162.80 (Y162.25); SFr 1.6640 (SFr 1.6415); FFr 6.5275 (FFr 6.4575). On Bank of England figures the dollar's exchange rate index rose to 110.1 from 110.0. Page 37

STERLING closed in New York at $1.43075. It fell in London to $1.4290 ($1.4320); It rose to DM 2.8475 (DM 2.8250); FFr 9.3275 (FFr 9.2475); SFr 2.3775 (SFr 2.3500); Y232.5 (Y232.25). The pound's exchange rate index rose 0.1 to 68.0. Page 37

CARLSBERG'S growing sales of lager in the UK from beer brewed at the Carlsberg brewery in Northampton contributed handsomely to the profits of the Danish brewing group, United Breweries, in the year ended September. Page 22

CREDIT LYONNAIS, French commercial bank, announced a major restructuring of its activities in a bid to prepare itself for privatisation. Page 21

HOLIDAY CORPORATION, world's largest hotel group, which last month announced a massive restructuring in order to avoid an unwelcome takeover bid, plans to raise $700m in after-tax proceeds by selling 110 hotels. Page 21

USX, parent of big US steel and energy concern which is being pursued by Carl Icahn, the corporate raider, has raised $526m following the successful stock market flotation of Aristech Chemical, its former chemical operations. Page 21

CARLO DE BENEDETTI, Italian entrepreneur and financier, has acquired a 2.2 per cent stake in S. G. Warburg, UK merchant bank, through his new Swiss financial holding company Société Financière de Genève. Page 27

EEC fish council agreed Ecu 800m ($840m) programme aimed at improving and adapting EEC fishing fleets over the next five years. Page 36

# US Congress to probe scandal over arms deals

BY LIONEL BARBER IN WASHINGTON

THE US Congress is to form a bi-partisan Senate select committee to investigate the Iran arms scandal similar to the one set up during the Watergate affair.

Mr Robert Byrd, the Democrat Senate majority leader elect, announced yesterday that he had reached agreement with Senator Robert Dole, the Republican leader to form the 11-strong committee, with the names to be revealed on December 15.

The announcement, ensuring maximum publicity to the affair when hearings begin next year, came shortly after Mr Larry Speakes, President Reagan's chief White House spokesman, said he was resigning from his post with effect from next February to take up an executive post with Merrill Lynch, the New York-based brokerage house.

The timing of Mr Speakes' resignation, though widely rumoured for the past month, is a blow to President Reagan whose Administration has been rocked by the scandal.

Last week Mr Reagan was forced to sack a top White House aide, Lt Col Oliver North, and to accept the resignation of his National Security Adviser, Vice Admiral John Poindexter following US Justice Department revelations that up to $30m of profits from secret US arms sales to Iran was skimmed off to Contra rebels in Nicaragua.

Mr George Shultz, US Secretary of State and Mr James Baker, US Treasury Secretary, both made major policy speeches yesterday in what appeared to be an attempt by the Administration to deflect attention from the Iran affair and give a "business as usual" impression to the public and press.

Mr Speakes has been President Reagan's mouthpiece for five and a half years. His high profile, high pressure role in articulating the President's views is a vital function in the modern American presidency which relies on television and the press to communicate to the US public.

A successor to Mr Speakes has yet to be named. The front-runner is Mrs Anne McLaughlin, a senior Interior Department official who served under Mr Donald Regan, White House Chief of Staff, when he was US Treasury Secretary in Mr Reagan's first Administration.

Other candidates are Mr Marlin Fitzwater, Vice President George Bush's press secretary and Mr Albert Brashear, a deputy White House spokesman.

Mr Speakes took over as Mr Reagan's chief spokesman after Mr James Brady, the White House press secretary, was seriously wounded in the assassination attempt on the President in March 1981.

Despite a sometimes stormy tenure, Mr Speakes has been the longest serving presidential spokesman since the Eisenhower administration in the 1950s.

The decision to form a bi-partisan committee, though offering parallels to the Watergate scandal which brought down President Nixon in 1974, is in fact more an effort by Democrats and Republicans to consolidate the numerous House and Senate committees' investigations into the Iranian affair.

The Senate Intelligence Committee began hearings in closed session this week seeking testimony from Mr Robert McFarlane, President Reagan's former National Security Adviser, and from Mr Poindexter and Lt Col North. Both Lt Col North and Mr Poindexter invoked the Fifth Amendment to avoid self incrimination.

The intelligence Committee's findings will be passed over to the

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# Court outlaws insurance barriers within EEC

BY WILLIAM DAWKINS IN LUXEMBOURG

THE EUROPEAN COURT of Justice in Luxembourg yesterday outlawed a series of important barriers to free trade in non-life insurance within the EEC.

In a long-awaited judgment, the court decided in favour of four cases brought by the European Commission, with the support of Britain and the Netherlands, against restrictive national practices inhibiting insurance groups' ability to offer policies in other EEC states.

The court declared that West Germany – by far the biggest insurance market in Europe – France, Ireland and Denmark had broken EEC laws on free trade in services.

They had wrongly insisted that foreign insurance groups had to be both authorised and physically established in the countries where the risks are situated, a considerable barrier to any insurance group wishing to do business in another EEC state without setting up a subsidiary there.

Those restrictions, said the court, were against the Treaty of Rome – the source of EEC law – and contravened a Community directive governing co-insurance, the practice whereby insurance groups form syndicates to share big industrial risks. The four countries involved had insisted that co-insurance syndicate leaders must be established in the country of the risk.

The court's decision, while not unexpected, is a political victory for the Commission and adds crucial legal impetus to the EEC's efforts to create a free internal market by 1992. The Commission's victory, however, is not total because the judges ruled that some restrictions on foreign insurers were necessary to protect individual consumers.

Providers of most kinds of general insurance, with a few minor exceptions, should be officially authorised by the state in which they are doing business, said the court. But co-insurance syndicates were exempted yesterday from the need for local authorisation, because their clients are industrial companies rather than defenceless individuals.

Yesterday's decision comes as a boon for the British insurance industry, which has for years been

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# Baker to talk with Congress on trade bill

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

A FUNDAMENTAL shift in the Reagan administration's strategy for dealing with congressional initiatives on trade law reform and economic policy was disclosed yesterday by Mr James Baker, the US Treasury secretary.

The change follows the loss of Republican control of the US Senate and the debilitating effect of the White House's handling of the Iran arms deals on the President's political prestige.

Throughout this year, as part of his strategy for resisting protectionist pressure on Capitol Hill, Mr Baker has steadfastly refused to allow Administration trade officials to negotiate with Congress in drawing up a Trade Bill. Now he is signalling that the White House is ready to try to draft compromise legislation.

Congressional trade experts welcomed Mr Baker's comments, suggesting that it would be easier for the Treasury Secretary now to work with moderates on Capitol Hill in an effort to avoid protectionist legislation.

Speaking at a Congress-sponsored "summit" on trade and Third World debt, Mr Baker disclosed that the administration is now prepared to work with the Democrat-controlled Congress to try to fashion a Trade Bill.

"I am convinced that working in good faith and in a bipartisan way with the new leaders of the 100th Congress... we can craft responsible legislation that will enhance America's international competitiveness without resorting to protection," he said.

Mr Baker also indicated that reform of laws governing the financial services industry will be a high priority. Stressing that the US needed to be "alert to the problems of debtors and lenders at home," he called on Congress "to work with us to rectify financial problems at home in a fashion congruent with the reforms the US seeks overseas", in Third World debtor nations.

Several factors may account for the shift in policy. Some observers in Washington believe the President, is now in a weaker position to resist trade law reform and to sustain a veto of protectionist initiatives.

Mr Baker knows too that proposals for trade legislation will not be narrowly focused on protectionism. Instead the Democrats are planning to introduce broader themes relating to the underlying competitiveness of the US economy and to use them to attack Administration economic policy.

The White House appears to have decided that one way to blunt this attack is to co-operate with Congress and try to shape the legislation in much the same way that the Democrats embraced the President's tax reform legislation and were able to share in the "victory" when the Tax Bill was approved.

By announcing that he is ready to work with Congress Mr Baker also leaves himself the option of deciding later to withdraw co-operation if he is not getting the sort of Bill he and the President can accept.

He will be looking for authority to negotiate in the General Agreement on Tariffs and Trade (GATT) talks in the knowledge that any agreement he reaches will be approved by Congress without modification. The administration's current authority expires in January 1988.

Some trade experts, including Mr I. M. Destler of the Institute for International Economics in Washington, have warned against a White House decision to seek Gatt agreement authority as part of a Trade Bill.

He fears the risk of Congress passing protectionist legislation is so great with the trade deficit still likely to be around $130bn next year that the White House should wait before seeking to negotiate on trade law reform.

In his speech yesterday Mr Baker once again fiercely resisted calls for a new approach to the Third World debt crisis including major write-downs in the value of bank loans to heavily indebted nations.

A debt write-off would preclude debtors from gaining access to credit markets, Mr Baker maintained. He said "debtor nations and lending institutions would be damaged severely by this counter-productive approach." He suggested that the funds saved in servicing written-down debt would "fall far short of the developing countries' needs."

**The US and the Soviet Union yesterday began two days of trade talks in Washington that could lead to increased trade between the two nations, Reuter reports.**

**Commerce Secretary Mr Malcolm Baldrige said at the opening session of the US-Soviet Joint Commercial Commission that the two countries would explore "the possibility of trade expansion, including projects and new forms of economic co-operation."**

# Students clash with riot police in Paris protest

By David Housego in Paris

A PROTEST march which brought several hundred thousand students on to the streets of Paris last night presented the French Government with a further challenge to its university legislation.

The students some of whom later clashed with riot police, were protesting against what they regard as the imposition of unreasonable selection procedures for university entry and of higher admission charges.

They say that the legislation runs counter to French tradition of open access to universities for those who have passed the baccalaureat – the secondary education leaving examination – and of free higher education.

In the wake of a protest last week Mr Jacques Chirac, the Prime Minister, offered to negotiate on all the main points in dispute. The students took his concessions to be prevarication and insisted on a complete withdrawal of the text.

Last night's demonstration led to claims by its organisers that 1m people had taken part, making it far bigger than the demonstration of the previous week and the largest protest by students since May 1968.

The leaders of the march had reached the Esplanade des Invalides before the last groups of university and secondary school students had left the Place de la Bastille, 8 km away.

The cavalcade chanted slogans to the tune of the Marseillaise and carried huge banners. Students clashed with riot police later in the evening after hearing that the Government had declined to withdraw the bill.

Mr Rene Monory, the Minister of Education, and Mr Alain Devaquet, the minister responsible for the universities and the author of the bill, last night saw a delegation of the student leaders. Mr Monory said that substantial changes would be made to the bill but he declined to withdraw it.

The Government hopes that it can sustain the shell of the bill while widening opportunities for secondary school students seeking university education by providing them with places in other institutes of higher education. Ministers had tentatively earmarked further funds for such a measure.

Though the students clearly emerged victorious from yesterday's demonstrations, it is not clear that they could maintain the momentum of their protest.

# Forecasts on British Gas premium decline

BY RICHARD TOMKINS IN LONDON

FORECASTS of the likely premium on British Gas's shares in first-day dealings slipped back yesterday as N. M. Rothschild, the merchant bank sponsoring the company's flotation, confirmed that barely 4m applications had been received in the £5.6bn ($8bn) offer for sale.

Stockbrokers' analysts who were predicting a premium of 10p to 15p on the 50p partly paid shares a week ago were yesterday forecasting a premium of 5p to 10p, and the "grey" market price being made in unofficial dealings was 3p down on the day at 55½p.

If these predictions are confirmed, they will leave little room for investors to take profits after dealing costs if they try to sell when trading in the shares begins next Monday afternoon.

The predictions also seem unlikely to encourage widespread interest in the privatisation of British Airways, which yesterday announced that an advertising campaign for its flotation in the new year would be launched on Sunday under the slogan: Ready for take-off.

Dr Oonagh McDonald, the Labour Party's Treasury affairs spokesman, claimed: "The bubble has burst for privatisation giveaways. The British people realise that a few more people owning shares does nothing to solve the country's economic problems."

However, Hill Samuel, the merchant bank sponsoring the British Airways flotation, said it was unperturbed by the low-key response to the British Gas offer because it would be going for a narrower spread of shareholders.

The Treasury, meanwhile, professed itself to be quietly satisfied that such a large number of applicants had been attracted to a privatisation issue which had never held out the prospect of big capital gains.

As the count neared completion last night, some 3.97m applications had been received. Applications from employees and pensioners were expected to take the final tally to just over 4m.

This figure compares with 5m applicants for the recent TSB (Trustee Savings Bank) share issue and forecasts of 6m to 8m which had been made for British Gas.

# Applications cut for St Gobain

By George Graham in Paris

APPLICATIONS for shares in St Gobain, the French industrial group with substantial glass interests, are likely to be heavily scaled down in the wake of heavy demand from small investors.

Priority applications from individual investors asking for 10 shares or less could on their own exhaust the 19.8m shares being offered publicly in France, according to early figures from banks handling applications.

Banque Nationale de Paris, the lead bank in the St Gobain offer – the first on the French Government's privatisation list – has already received around 215,000 applications for a total of nearly 5m shares. Crédit Lyonnais has received around 211,000 applications, and Société Générale, third in the trio of major French commercial banks, around 90,000.

Smaller banks have received fewer applications, but with a higher average number of shares requested per order. Crédit Commercial de

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**William Dawkins** reports from Brussels on a long-awaited liberalisation of the rules governing free trade in insurance

# Court judgment opens door to lucrative European market

FOUR YEARS ago the West German insurance authorities provoked an international storm when they fined Mr Franz Schleicher, a Bavarian insurance broker, for selling British policies to local clients.

Mr Schleicher's dogged refusal to accept the validity in European law of German regulations which forbid foreign insurers to do German business unless they are physically established there, sparked an EEC-wide investigation by the European Commission. This reached its climax yesterday with a far-reaching judgment by the European Court of Justice on cases brought by the Brussels authorities against four member states.

The court ruled that West Germany, France, Ireland and Denmark had broken the Treaty of Rome's rules on free trade in services by insisting that foreign insurers had to be registered locally to write policies for local clients.

That decision, against which there is no appeal, invalidates at a stroke the most important remaining barrier to a free EEC insurance market. It is also a substantial—though incomplete—victory for the Commission and Britain and the Netherlands, its supporters in this legal battle.

The court ruled, in a series of judgments running to more than 200 pages, that "the requirement of a permanent establishment is the very negation" of free trade in services. But the judges could only accept in part the Commission's claim that it was against European law for member states to demand that insurers had to be locally authorised as well as established.

Authorisation was fine, according to the judgment, for most kinds of general insurance (with a few minor exceptions like transport and compulsory cover) where such restrictions could be justified by the need to safeguard private consumers.

But authorisation was not an acceptable restriction for co-insurance, whereby insurance groups form syndicates to share big industrial risks like oil tankers or factories. Here the Commission was fighting the defendants' practice of insisting that syndicate leaders had to be both authorised and established in the member states where the risk was situated, requirements which it successfully argued were also against an eight-year-old directive on the subject. Here "the arguments based on consumer protection do not have the same relevance," said the court.

The full practical impact of the decision will not be clear until legal experts have sorted out just how far member states will be allowed to go in setting authorisation procedures for general insurance.

But the immediate implications are dramatic. The court has achieved what more than 10 years of lobbying by the internationally ambitious British and Dutch insurance industries have failed to win: the right to do business in restricted EEC markets without having to go to the expense of setting up subsidiaries there.

The most potentially lucrative prospect opened up by yesterday's ruling is the German insurance market, by far the biggest in Europe, with non-life premium income of $19.5bn in 1984, nearly twice the size of its UK counterpart, according to the latest industry figures. The other three countries mentioned in the case, France, Ireland and Denmark, had a combined premium income of almost $15bn in the same period.

British insurance experts stress that this does not mean an automatic bonanza for Lloyds an aggressive advocate of liberalisation and possibly Europe's most efficient insurance market. They point out that it would make no commercial sense to try to grab indiscrimnately an extra share of mass insurance markets where premium rates are still soft.

However, the court's decision is likely to be welcome for the opportunity it gives for Britain and the Netherlands in particular to sell more actively higher value added services, like satellite cover, or tailor made policies in which they have special skills.

It is meanwhile unclear how easy outside insurers will find it to gain access to a more liberal German insurance market. Direct links between local insurance companies and industrial customers tend to be far stronger there than in the UK, where brokers are contrastingly more dominant than their German counterparts.

Yesterday's move might also help to unblock an EEC draft directive setting out rules by which insurance companies can do business in other member states. The so-called insurance services draft directive has been bogged down by technical argument for 11 years, constituting an important barrier to the Community's policy of building a free internal market, a task which it is pledged to complete by 1992.

# Italy to spend L10bn on Aids campaign

BY JOHN WYLES IN ROME

THE ITALIAN Government is planning to spend at least L10bn (£5m) on a research and information campaign following estimates that the number of Aids cases in Italy may rise from 430 to 10,000 by 1990.

Ministers and health officials have been alarmed by an outbreak of 12 cases in the past three months among male juveniles between the ages of 13 and 16. As elsewhere in the world, Aids sufferers are primarily homosexual and drug addicts, but new cases are now being discovered among hetrosexuals.

Mr Carlo Donat Cattin, the Minister of Health, said yesterday he is still finalising his plans. Italy's research effort into the disease and development of a health care programme is generally behind that of many Western countries and the spending programme will try partly to make up some of the lost ground. But it will also be dedicated to a campaign of public information with particular emphasis on schools and the workplace.

Leaders of a new privately funded campaign, the National Association for the Struggle against Aids, have revealed estimates this week that the number of Italian cases could rise to 6,000 by 1988 and 10,000 by 1990. Half the cases so far reported have ended in death.

They have called for special health care facilities in hospitals and a public information campaign.

Representatives of the Italian homosexual community say they have been unsuccessfully seeking initiatives from the Ministry of Health for two years. In particular, they are asking for confidential health screening and are threatening to boycott Aids tests unless a guarantee of secrecy is given.



## Czech call for wide changes in economy

By Leslie Colitt, recently in Prague

A LEADING Czechoslovak economist has advocated a wide-ranging market-oriented economic reform in order to reverse his country's relative industrial decline since 1945.

Mr Valtr Komarek, head of the Institute of Economic Forecasting which advises the Government, said in an interview that Czechoslovakia needed a "renaissance of the market" while retaining full employment.

Management needed to be more independent than under the present "inflexible" centrally controlled system. Wages should be differentiated while the prices system would have to reflect "real costs." State subsidies to loss-making companies should be phased out.

The central committee of the Czechoslovak Communist Party is scheduled to meet shortly to discuss measures to revitalise the economy. They are likely to fall well short of Mr Komarek's suggestions, however.

He said that the country's per capita gross domestic product was now close to that of south-eastern Europe, while in the 1930s the highly industrialised Czech region outranked Belgium and Austria. Czechoslovakia he noted, has experienced forced industrialisation after 1948 while Comecon tended to "lump its members together," not taking into account their industrial traditions.

# EEC expected to fix priorities in fight against unemployment

BY PHILIP BASSETT, LABOUR EDITOR

EUROPEAN EMPLOYMENT ministers are expected next week to agree to a new package of priorities aimed at alleviating unemployment in all EEC member countries.

Following informal meetings of the ministers in Edinburgh in September, the Employment Council next Thursday is expected to approve formally a resolution to be tabled by the UK Government on future employment policy.

Final details of the resolution, worked out in conjunction with the Irish and Italian governments, are still being drafted. However, it will list four main areas for priority attention:

- Assistance for small and medium-sized enterprises, and the self-employed.
- More flexible employment patterns and conditions of work.
- Better training for both young people and adults.
- Increased help for the long-term unemployed.

The initiative is mainly the result of efforts by Mr Kenneth Clarke, the Paymaster General, and follows the formal tabling at the council's last meeting of a UK paper called Employment Growth into the 1990s—a Strategy for the Labour Market. This made more than 40 suggestions, grouped under the four broad themes of the council's resolution, for improvements in employment.

Clarke: significant

Mr Clarke said yesterday: "It's significant that the UK Government can get such wide agreement throughout the whole of Europe on this despite considerable differences in political base and geography."

UK employment ministers are keen to try to put a fixed timetable for the implementation of the new policies, and would like to see the European Commission submit regular, six-monthly, reports to the council of ministers on detailed progress in all four principal areas.

However, they are aware of the need to win formal agreement to the new priorities, and so may not press at this stage for such specific proposals on timing.

The proposals are exactly in line with the change of direction within the UK Department of Employment, away from such traditional areas of interest as industrial relations and more towards job promotion.

British ministers are particularly pleased that the expected agreement will mark a shift in focus of the council's work, away from harmonisation of employment protection issues, and elements which the UK regards as social engineering, such as the Vredeling and 5th Directive proposals on industrial democracy.

Vredeling was rejected by the UK Government, and at the council's last formal meeting, earlier this year, it was agreed that the issue should not even be discussed again until 1989. The new proposals will form a programme of work rooted in the stimulation of enterprise.

# Business secrets swap brings fine

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission has imposed a token fine of Ecu 50,000 (£36,000) on three major acid manufacturers—Unilever, the Anglo-Dutch group, Henkel of West Germany, and Oleofina of Belgium—for exchanging confidential information in defiance of competition rules.

The decision marks the first occasion on which the Commission has imposed a fine for a pure exchange of information agreement between competitors, rather than more elaborate cartel arrangements, according to EEC officials.

The three companies have been fined for their agreement, reached in 1979, to exchange information about their sales of oleine and stearine, fatty acids which are used as constituents for products such as soaps and detergents, cosmetics, paints and resins, the Commission said.

Between them, the three companies controlled some 60 per cent of the market for oleine and stearine, it said. They exchanged information about their total sales in Europe in each quarter.

"This exchange of information, normally regarded as business secrets, provided each of them with a means to monitor the activities of its major competitors and to adjust its own behaviour accordingly," the Commission said.

The arrangement was discontinued in 1982 at the suggestion of the Commission.

Officials said the decision showed that the Commission was nevertheless prepared to intervene and impose sanctions for agreements or behaviour "before they develop into full-blown cartels or produce all their damaging effects on the market."

# Danes cash in on border bargains

By Hilary Barnes in Copenhagen

THE DANISH authorities face an increasing problem from the surge in border trade with West Germany.

Danes pour in thousands across the border every day to shop for everything from petrol, wine, food and television sets in the federal republic, where the taxes are significantly lower than in Denmark.

The Institute for Border Regional Research, in Aabenraa, Jutland, estimate that Danes cross near the frontier in South Jutland the Jutland frontier to West Germany 7m times a year, spending DKr2.4bn (£320m) in German shops, about 1 per cent of total private consumption expenditure.

The trade is big business for coach and ferry companies, who organise outings with the exclusive purpose of spending money in West German shops. One ferry service recently did away with ticket prices, relying on income from the supermarket on board.

Now, the Tax Minister, Mr Isi Foighel, faces a new challenge. Last Friday, a television and radio dealer in Padborg, near the Jutland border, broke new ground. By his system, customers order items in his Danish shop and receive a Danish guarantee and instruction book, but they collect and pay for the product from a store he has established just across the border.

As long as the item bought does not cost more than DKr 2,300 (£217) it may be brought into Denmark without being subject to Danish taxes and duties.

Within hours, other stores all over the country were promising to go into the same business. Some said they would provide free bus trips to enable their customers to pick up their goods in West Germany.

The Danish value added tax at 22 per cent is the EEC's highest. There are also steep purchase taxes on most consumer durables. Danish television dealers, for example, are therefore able to sell a set for delivery in West Germany at under DKr 2,300 and still make a profit, although the cost for the same set in Denmark would be about DKr 5,000.

Mr Foighel has said initially that there is nothing he can do to stop the new scheme, but he is under political pressure from the opposition to take measures to stop it, if necessary by changing the law.

Meanwhile, a new problem lies ahead. The EEC has given Denmark a special dispensation to prevent Danes bringing in a duty-free allowance of spirits and cigarettes unless they have been out of the country for 48 hours. The Commission, however, is running out of patience. It has just extended the dispensation for one more year, but wants the 48 hours reduced to 24 in 1988 and the stay-away period eliminated altogether by 1991.

# European groups named in $14m SDI contracts

BY DAVID BUCHAN IN BRUSSELS

THE US yesterday announced the award of $14m worth of contracts to seven international consortia, comprising 51 US and European companies, to study possible defences against short-range Soviet missiles targeted on Western Europe.

The seven contracts, worth £2m each, embrace by the far largest number of European companies—three of the seven prime contractors and 26 of the 44 sub-contractors — brought into the three-year-old US Strategic Defence Initiative (SDI) programme so far. Britain has now won $25m of SDI contracts with seven UK companies among the sub-contractors named yesterday.

Announcement of the contracts, which have yet to be negotiated in detail next month, was made by Mr Caspar Weinberger, the US Defence Secretary, at the start of the two-day Nato Defence Ministers' meeting in Brussels.

The announcement was brought forward to highlight the benefits of the US SDI programme to European allies and to coincide with Alliance discussions this week of the short-range Soviet missile threat. This is already the subject of a "threat assessment" study by Nato's air defence committee due to be presented to ministers next spring.

Mr Weinberger claimed that defence against short-range missiles, such as those aimed at Western Europe, was easier than against the long-range inter - continental missiles targeted on the US.

His claim was clearly aimed at dispelling European pessimism that whatever benefits SDI might secure for the continental US, it would not help the more vulnerable region of Western Europe.

Mr Weinberger's claim reverses conventional wisdom about missile defence, but a US defence official explained that short-range Soviet missiles — despite their shorter flight time — carried no decoys and were thus easier to track and hit.

The contracts, to be awarded finally in January and to be concluded next July, are for the study of current and potential missile threats and for possible solutions. The prime contractors of the seven successful consortia are LTV Aerospace and Defence, RCA, Hughes, Lockheed (US), Messerschmitt, Bolkow, Blohm (West Germany), CoSyDe (a joint venture of Aerospatiale and Thomson CSF of France, and SNIA BPD (Italy).

Twenty-nine of the 51 companies involved are European. A French group is also named despite the fact that the French Government has not signed a formal accord with Washington on participation in SDI.

Mr Richard Perle, the US Assistant Secretary for International Security Affairs, said the companies had been "selected on technical merit alone." Participation did not require their governments to have signed memoranda of understanding with the US.

# Pact wants Stockholm troop talks

By Patrick Blum in Vienna

THE WARSAW PACT favours holding new wide-ranging "all-European conventional arms reductions talks" in a second phase of the Stockholm disarmament conference, a senior Soviet spokesman said yesterday. He was speaking at the end of another inconclusive round of the Mutual and Balanced Force Reduction (MBFR) talks in Vienna.

The MBFR talks covering only central Europe have been deadlocked for years and the Warsaw Pact has recently pressed Nato to agree on an early minimum accord covering only symbolic troop cuts so as to open the way for broader discussions on substantial force reductions "from the Atlantic to the Urals."

Mr Valerian Mikhailov, the head of the Soviet delegation at the MBFR talks, said yesterday that the successful outcome at the recent Stockholm conference proved that it was possible to reach agreement even in a broader forum.

Nato by contrast believes that a large forum may make agreement more difficult to achieve.

# Reykjavik looms large over EEC summit

BY QUENTIN PEEL IN BRUSSELS AND ROBERT MAUTHNER IN LONDON

THE EUROPEAN Community heads of government, who will be meeting in London today and tomorrow, will attempt to work out a more co-ordinated stance on East-West problems, particularly disarmament, in the wake of the abortive US-Soviet summit in Reykjavik last October.

Their discussions on this subject, which will dominate their informal dinner-table talks on Friday night, are taking place against a background of anxiety that the US did not take sufficiently into account the interests of West Europe at Reykjavik.

Though Mrs Margaret Thatcher, the British Prime Minister, succeeded in pinning down President Ronald Reagan to a more acceptable arms control stance at their recent meeting in Camp David, some Western European leaders, like Mr Jacques Chirac, the French Prime Minister, have been calling for a more formal joint European position.

The discussions about arms control will inevitably lead the heads of government to review the whole problem of Western Europe's relations with the US, which has become all the more acute since the disclosures about US arms sales to Iran. However, British officials have stressed that the leaders can be expected to avoid any direct criticism of the US administration, particularly in their final communique, whatever may be said in private.

The formal agenda of the summit covers less controversial issues, such as joint action against terrorism and drugs, co-operation in campaigns against cancer and Aids, and a repeated commitment to fight unemployment and scrap trade barriers.

The most devisive issues on the EEC calendar—agricultural reforms, the need for more long-term finance, air transport liberalisation, and finding money for joint research programmes —will be touched on but barely dissected, British officials expect.

The imminence of a general election in West Germany next month, has persuaded both the European Commission, and the British presidency, not to bring the major questions to a head so soon.

Both measures to reform the Common Agricultural Policy, which currently absorbs two-thirds of the EEC budget, and the need for more budget finance, are questions on which Chancellor Helmut Kohl might block any common stance by the heads of government.

Funding the Commission's proposed Ecu 7.7bn (£5.6bn) five-year research programme is another question on which Bonn is determined to display rigorous budget discipline—in common with Britain and France, the two other net contributors to the EEC budget.

Agricultural reform, the research programme and air transport will all come to a head in the Council fo Ministers in Brussels within days of the end of the summit, with a real danger of deadlock on all three. But the heads of government are not expected to do more than urge agreement and perhaps lay down a few guidelines.

Co-operation on terrorism and drugs is well under way in meetings of EEC interior ministers, with another scheduled for next week. Their agreed strategy is to step up controls on people coming and going at the external frontiers of the EEC—including ports and airports—while seeking to dismantle the controls at internal frontiers.

That strategy fits in with the ambition of removing all internal barriers to trade by 1992,

Mr Kohl: called to explain his role

# Kohl under attack over sale to Pretoria

BY DAVID MARSH IN BONN

MR HELMUT KOHL, the West German Chancellor, yesterday came under fresh political pressure over his government's apparent support two years ago for plans to sell submarines to South Africa. Although any idea of delivering the boats was turned down after examination by the centre right coalition, blueprints covering details of a U-209 submarine were sold to Pretoria.

The transaction, which became known to the Government in summer 1985, was revealed last week. It led to heated exchanges in the Bundestag yesterday during which the opposition Social Democratic Party pressed Mr Kohl to explain his role in the deal.

The blueprint sale, which appears to have infringed UN agreements on arms embargoes to South Africa, has exposed contradictions about arms sales within the coalition.

The company at the centre of the fracas is state-controlled north coast shipyard Howaldtswerke-Beutsche-Werft (HDW). The Government has been keen to kin the company orders to keep down unemployment in the region.

Mr Kohl's discomfiture over the affair was increased yesterday by a report by the mass circulation Bild newspaper. The paper, a strong political supporter of the Kohl administration, said the Chancellor had been reported by a close aide to have given encouragement to U-boat sale plans in July 1984.

Mr Gerhardt Stoltenberg, the Finance Minister, who is responsible for export licensing, told the Bundestag yesterday that the Government made clear in October last year that no approval for any submarine sale could be given.

# Paris calls for moves on rail link

By Paul Betts in Paris

FRANCE WILL press its European partners this month to iron out differences over the construction of a high speed train network linking Paris, Brussels, Cologne, Amsterdam and London by the Channel Tunnel, to enable the project to be launched by the end of 1987 or early 1988, Mr Jacques Douffiagues, the French Transport Minister, said yesterday.

He said the proposed high-speed train link —or dtain a grande vitesse (TGV) — was a major European infrastructure project. Its future would be discussed at a meeting of transport ministers from France, Belgium, West Germany and the Netherlands on December 22 at the Hague. British Government representatives are expected to attend.

The meeting will review a study recently completed by experts from France, Belgium, West Germany, the UK and the Netherlands. The project would cost up to FFr 38bn (£4bn).

Mr Douffiagues said the countries involved must make a decision by early 1988 if the link is to come into service by 1993, the year the Channel Tunnel is scheduled to come into operation.

The countries will have to decide on the route and on the financing of the project. The French minister said the project was viable and could be financed privately.

France insists that the project be financed privately to avoid burdening either the Government budget of the indebted French state railways.

The French partners in the fixed link scheme see the rail project as crucial for the viability of the Channel Tunnel. Mr Douffiagues said yesterday that the link offered European rail industries a good opportunity to collaborate. He acknowledged that France is expected to lead the way, in view of the lead it has taken in high speed rail technology with its successful TGV.

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# W German growth slows

WEST GERMAN economic growth slowed in the third quarter after the boost in output in the early summer, according to official figures, writes David Marsh in Bonn. Seasonally adjusted GNP rose 0.5 per cent in real terms during the quarter, compared with 3.5 per cent in the second quarter. This was 2.4 per cent above the third quarter of last year, roughly the same as the overall year-on-year rise in GNP in the first half of 2.5 per cent.

The Consumer price index in November was 1.2 per cent below the figure in November 1985, compared with annual falls of 0.9 per cent and 0.4 per cent in October and September respectively.

## Commission in court

Five EEC member states have taken the European Commission to court to contest whether it has the right to demand information from them on migrant workers, writes William Dawkins in Luxembourg. West Germany, France, the Netherlands, Denmark and Britain yesterday argued at the European Court that Brussels was overstepping its powers in demanding statistical information about migrant workers from non-EEC countries.

## Environment pledge

The European Commission plans a tougher stand against breaches of environment regulations, Environment Commissioner Stanley Clinton Davis said yesterday, Reuter reports from Brussels. He was unveiling plans to spend Ecu 10m (£7.3m) to promote European Environment Year, which begins next March.

## Polish anger

Officials in Katowice, Poland's most highly industrialised area, have complained bitterly about the lack of warning from Czechoslovakia about a serious oil spill which has had to be cleared along a 50-km stretch of the River Oder in Poland, writes Christopher Bobinski in Warsaw. The Poles say they have cleared more than 190 tonnes of the oil from the river, while the Czechoslovaks admit to spilling 20 to 30 tonnes.

## G10 bid by Austria

Austria has applied to join the so-called Group of Ten advanced Western countries, writes Patrick Blum in Vienna. A Finance Ministry official said Austria wanted to be more closely involved in some of the important economic decision-making processes within the EEC and among Western industrialised nations.

## Air fares hope

The UK believes that Western European views on greater liberalisation of air transport are now swinging Britain's way, and that "we have the makings of a real movement towards the liberalisation of air fares," writes Michael Donne.

Mr Michael Spicer, Minister for Aviation, said yesterday on his return from talks in Portugal, that he thought that country would opt for a deregulation policy if it were generally accepted bythe EEC.

# Egypt charges religious extremists

BY TONY WALKER IN CAIRO

EGYPT, in its continuing drive against the religious extremists, says it has uncovered a plot by military officers and others to overthrow the Government.

Egypt's state prosecutor general yesterday charged four reserve officers and 29 civilians with planning an insurrection. The accused face up to 25 years in jail with hard labour.

The state alleges that the accused are connected with the proscribed Islamic Jihad (Holy War) organisation, involved in the assassination of late President Anwar Sadat.

The Government's persistent nightmare is that the country's military and security apparatus will be infiltrated by religious extremists dedicated to a radical Islamic state in Egypt and prepared to use violent means to achieve that end.

The four junior reserve officers and the 26 civilians were arrested three to four months ago in Cairo and elsewhere in Egypt. Three of the civilians accused of involvement in the plot are still at large.

According to Egypt's official Middle East News Agency, those charged are accused of having "formed a group, composed of a military and civilian wing, with the intention of overthrowing the Government in Egypt, and have used violence and force to achieve their objectives."

The indictment accused some defendants of armed robbery to obtain money to finance the group's activities. Several shops owned by Christians were robbed by the gang, it said. The formal indictment said the defendants, who will be tried in a state security court, "founded, participated in and directed a group advocating opposition to the fundamental principles underlying the system of government. It also urged hatred and contempt for this system and incited resistance to public authority."

The defendants are accused of obtaining firearms, explosives and ammunition "with the intention of undermining public security."

The ranks of the reserve officers charged range from lieutenant to major. It was a lieutenant who led President Sadat's assassins.

According to the prosecutor, the 29 civilians charged include engineers, doctors, teachers, university students, farmers and labourers.

Those charged yesterday bring to more than 100 the number of Moslem extremists awaiting trial for plotting to overthrow the Government.

On September 1, 75 alleged religious extremists were charged with calling for a holy war against the Government, and fire bombing video clubs, cinemas and a liquor store.

# Israeli gunboats pound Palestinian camps

BY OUR MIDDLE EAST STAFF

ISRAELI gunboats bombarded Palestinian refugee camps in southern Lebanon yesterday as yet another attempt to reach a ceasefire was announced by Lebanon's leaders.

This is the third time Israel has thrown its military force behind Amal in the two weeks since the fighting with the PLO started. Earlier, the Israeli air force staged two raids on Palestinian targets in the Sidon area.

Mr Walid Jumblatt, leader of the powerful Druse community which controls much of the mountainous centre of Lebanon, announced yesterday that a draft agreement for a political solution of the "camps war" had been reached. This was confirmed by Mr Nabih Berri, leader of the Amal, who said: "Now its up to the Palestinians."

This follows an unsuccessful earlier appeal by King Fahd of Saudi Arabia to end the bloodshed around the Palestinian camps which has claimed an estimated 500 lives and left another 1,000 wounded.

Tank, mortar and artillery battles also continued to rage around two Palestinian refugee camps on the southern outskirts of Beirut. Amal spokesmen said that their forces are on the verge of capturing the Chatilla camp, where 6,000 Palestinians live.

Three Israeli gunboats were reported to have fired as many as 70 missiles into the refugee camps of Ein Hilweh and Mieh Mieh during a morning raid which lasted more than half an hour.

The attack came as the two sides were locked in shelling duels around the neighbouring hilltop town of Maghdousheh, five kilometres south of Sidon. It has been the scene of fierce fighting since the Palestinians burst out of their camps near Sidon in an attempt to capture this strategically important position.

At least one Palestinian was reported killed and two more wounded during the Israeli naval bombardment.

Reports from Abu Dhabi claimed that Palestinian fighters dispersed in Arab countries since their exodus from Lebanon after the 1982 Israeli invasion are being mobilised for defence of the beseiged refugee camps in Lebanon.

# S African miners stage strike after shooting

THOUSANDS of black miners went on strike at a South African gold mine yesterday after police shot and killed a miner the previous night, mine owners said, Reuter reports from Johannesburg.

Almost the entire day shift of 5,000 miners at the Grootvlei mine 30 miles east of Johannesburg were staging an "illegal strike" following the incident in which eight other people were injured, General Mining Union Corp (Gencor) said.

The company said the violence erupted after between 100 and 200 workers left a union meeting at the mine and caused a disturbance.

"Residents of the area apparently summoned the police who had to quell the disturbance."

Most mines in South Africa have their own security forces to deal with trouble but Gencor said security personnel at Grootvlei did not assist the police.

● Australia announced a ban yesterday on more than $20m (£14m) worth of coal, iron, steel and agricultural imports from South Africa under an agreement reached by Commonwealth leaders earlier this year, Reuter reports from Canberra.

# MI5 case delayed further as UK Government wins right to appeal

BY CHRIS SHERWELL IN SYDNEY

FRESH DELAYS have engulfed the MI5 spy memoirs case in Sydney after the British Government yesterday won the right to appeal against an order to hand over confidential documents to the defence.

The decision was made by the three judges of the New South Wales Court of Appeal, and provided a small but encouraging boost for Britain.

The UK Government wants the state Supreme Court to prevent Heinemann Australia publishing the memoirs of Mr Peter Wright, a former MI5 officer.

Hearing of the British appeal has been set for next Tuesday, but a quick decision is far from certain. The three judges must determine whether Mr Justice Philip Powell, the Supreme Court judge, was correct this week to turn down Britain's claim of "public interest immunity" against handing over the documents.

Pending the outcome, Sir Robert Armstrong, the British Cabinet Secretary and chief UK witness, flew out to London yesterday, promising to return to Australia for further cross-examination when needed.

The defence is now expected to put the ailing Mr Wright on the stand, probably on Monday. This is earlier than his lawyer, Mr Malcolm Turnbull, had wished, but his plans have been overtaken by events in the Appeal Court.

Turnbull: 'unconscionable'

If a decision on the UK appeal takes until the New Year, the cost for the defence in money, time and stress could be heavy. If it goes the wrong way for Mr Wright, the lack of access to the documents may hurt his arguments in favour of publication.

The documents detail the British Government's attitude to previous publications of books and other materials on MI5. The defence maintains they show the Government has, in effect, already authorised the material contained in Mr Wright's memoirs.

The British Government says Mr Wright's memoirs are those of an "insider" who owes a life-long duty of confidentiality not to disclose such information. As for the documents, it says these should not be released on grounds of national security and will not help the defence's case.

Yesterday's developments came as a controversy unfolded over allegations in Britain that a member of Mr Wright's defence team was leaking confidential information from court proceedings held in camera.

The allegations, made in the House of Commons and said by the defence to have been fuelled by British officials, have infuriated Mr Turnbull, who brought the matter to the attention of the court.

Pleading later before the Court of Appeal, Mr Turnbull argued that the British Government should have raised its claim of public interest immunity much earlier. Instead it had "dribbled out" its arguments in "disgraceful" and "unconscionable" fashion.

At one point Mr Turnbull warned that if leave was granted for the UK to appeal, he would have to call Mr Wright to the stand more than once and "he may very well die in the witness box—that's the medical advice."

# Iran offers to help repair Abu Dhabi rig hit in raid

BY RICHARD JOHNS

IRAN has offered to assist Abu Dhabi with the repair of the off-shore oil platform operating the Abu al-Bukhoosh oil field in the Gulf hit in an air raid on November 25 which left eight workers dead, including two Frenchmen.

The initiative is one of the stronger twists in the increasingly convoluted diplomacy of the Gulf conflict. Total, the subsidiary of Compagnie Francaise des Petroles, which operates the field is understood to be satisfied that Iran rather than Iraq was responsible for the attack.

Tehran has vigorously denied that its aircraft carried out the attack and accused Iraq. But a French military officer who happened to be on the platform at the time is understood to have identified the aircraft which bombed it as an F-4 of the Iranian Air Force.

The initial assumption had been that the Iraqis had hit the facility after mistaking it for a nearby Iranian platform working on the same oil structure across the median line known as the Sassan field.

Now it seems the strike was a retaliation against the refusal of Abu Dhabi, the leading member state of the United Arab Emirates, to stop pumping from its side of the field in a response to a demand by Iran. The Sassan field was put out of action by an Iraqi raid last month.

The conciliatory Iranian offer to Abu Dhabi—with which Tehran wishes to maintain good relations—comes in the wake of its threat to Arab countries of ground-to-ground missile attacks if they collaborate with Iraq militarily.

It is possible that it was made in response to a French diplomatic protest.

Iran's warning was issued in the wake of reports that Iraqi aircraft landed at Saudi air base of Dahran after a raid, also on November 25, on Iran's oil export transhipment terminal near Larak Island.

# Zimbabwe frees opposition leader from detention

BY TONY HAWKINS IN HARARE

THE ZIMBABWE Government yesterday released from detention Mr Dumiso Dabengwa, a leading member of the opposition Zapu party, thus removing a major obstacle to a unity agreement with the ruling Zanu party of Mr Robert Mugabe, the Prime Minister.

Talks aimed at merging the two parties and creating a *de facto* one-party state have been taking place for over a year. The release of Mr Dabengwa, seen as second only to Mr Joshua Nkomo in the Zapu hierarchy, was seen as an essential precondition to their success.

However, Mr Dabengwa's immediate criticism of the Mugabe government at a Press conference after his release yesterday suggests that some further concessions may still be needed.

Mr Dabengwa, who was commander of Mr Nkomo's Zipra guerrillas during the war against the Smith Government, was arrested nearly five years ago following the discovery of arms caches on properties owned by Mr Nkomo's opposition Zapu party. In 1983 he was acquitted on charges of plotting a coup against the Government, but has been in detention ever since.

Also released were two other senior Zapu officials and two former members of Zimbabwe's Central Intelligence Organisation, Mr Colin Evans and Mr Phillip Hartlebury. Both men, who hold British passports, were released on the understanding that they would leave Zimbabwe immediately. They were also acquitted in 1981 on charges of spying for Pretoria.

At a news conference, Mr Dabengwa criticised the Government for his "unjust imprisonment" and denied that there had been any conditions attached to his release. Earlier, Mr Nkala had said that the three Zapu officials would help the Government to end the dissident banditry in the western province of Matabeleland, but Mr Dabengwa told newsmen that this was "an unfortunate statement."

"We have no assurances to give anybody about our conduct," he said, adding, however, that he was a loyal citizen of Zimbabwe and that any efforts to assist in Matabeleland would be done as a free citizen without any conditions.

# Jakarta under pressure to dismantle trade monopolies

BY JOHN MURRAY BROWN IN JAKARTA

THE INDONESIAN Government is under mounting public pressure to dismantle a network of trade and import monopolies which many consider the main cause for the country's high-cost economy.

The system, whereby government-approved agents control supply and so set the price for vital industrial inputs, has been strongly criticised by foreign economists, most notably the World Bank. Calls for reform are now being taken up by the normally circumspect local press reflecting a gathering public concensus for the Government to take action.

In an unprecedented step earlier this week Mr Bustanil Arifin, the acting Trading Minister, sought to defend the system, which he said "helped to maintain price stability." This was in part seen as a response to recent articles in the Hong Kong-based Asian Wall Street Journal—all of which were banned by the Attorney General—which attacked the use of monopolies, further alleging that many were controlled by members of President Suharto's family.

More significant has been the absence of comment by the Government's leading financial gurus, Dr Ali Wardhana, the Economics Minister, and Mr Radius Prawiro, the Finance Minister, both of whom are believed to favour reform.

Indonesia, the world's fifth most populous nation, is currently adjusting to a dramatic 50 per cent projected fall in its oil and gas revenues, which historically account for 70 per cent of export earnings and 55 per cent of state budget receipts.

Reuter adds from Jakarta: Indonesia will resort more to foreign borrowings, rather than raise domestic funds, to meet its spending commitments and ease the current recession, Mr Arifin Siregar, the central bank governor, said.

# WORLD TRADE NEWS

## Racal takes share of Saudi AWACS package with Boeing

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

RACAL-TACTICOM, part of the Racal Electronics Group, has won a deal from Boeing of the US to provide between $300m and $500m of tactical radio equipment to Saudi Arabia over the next 10 years.

The deal is part of an offset arrangement between Boeing Aerospace of the US, in conjunction with Westinghouse and ITT, also of the US. In return, these companies will gain a $3.5bn contract to provide Saudi Arabia an air defence computerised command, control and communications system (called Peace Shield) for use with the AWACS (Airborne Warning and Control System) which Boeing is providing to that country.

The Boeing/Racal-Tacticom deal is part of 10 separate industrial developments in the overall Saudi offset package.

Other elements in the package, in which other companies will become engaged, include the provision of aircraft overhaul, biotechnology, applied technology, power generation, helicopter assembly, medical products, computing, aircraft component overhaul and telecommunications.

The Racal-Tacticom/Boeing deal will be controlled by a new company, Advanced Electronics Centre (AEC), jointly owned by Boeing Industrial Technology Group (BITG) and individual Saudi investors. AEC will design, manufacture and support in service both military and civil electronics, including tactical radios.

The Racal/Boeing deal is not directly linked with the current Boeing bid to win a major UK contract to provide AWACS to the RAF in place of the UK-developed GEC/British Aerospace Nimrod system.

A decision on that contract is expected to be taken soon by the UK Cabinet, following intensive evaluation by the Ministry of Defence.

It is expected that although the Racal Saudi deal is not directly connected with the UK's AWACs/Nimrod situation, it will be cited by Boeing as an example of the kind of offset arrangements that can be brought to UK industry by Boeing if it is given the AWACs contract here.

Boeing might even argue that the Saudi offset pact with Racal should be included in the overall volume of offset being offered to UK industry in return for AWACS.

Meanwhile, Racal yesterday said it was "delighted" with its share of the Saudi offset arrangements.

Mr Martin Richardson, chairman of the Racal Radio Group, which includes Racal-Tacticom, said the successful implementation of the project would consolidate the group's position as a leading supplier of tactical radio equipment in Saudi Arabia and other Gulf States.

**Stewart Fleming reports** on a bid to use the trade issue as an electoral winner

## Democrats try to shake off the protectionist tag

EVEN AS the Democrats were celebrating regaining control of the Senate in the mid-term elections, they were signalling their intention to put trade at the top of the political agenda.

Senator Robert Byrd, the next majority leader, made it clear that trade was a top priority and there is no doubt that trade will be a central political issue of this year and next.

Three consecutive declines in the monthly US trade deficit have raised hopes that after its abnormal July peak of $18bn the long-awaited decline in the $170bn US trade deficit has begun.

Opinions differ over the implications of the anticipated decline. Some economists expect the deficit to fall by $40bn or more, adding as much as 1 percentage point to the gross national product in 1987. Others fear that although the drag on the economy from a rising trade deficit may be easing, any decline in the deficit will not be enough to boost growth significantly.

Rep Jim Wright, the likely Speaker of the House, is understood to be planning a trade bill which will be similar to that which the House passed earlier in the year. It will go into the legislative hopper when Congress reconvenes in January.

But anybody expecting the Democrats to propose narrow protectionist and sector-specific trade law reforms is in for a surprise. Democratic strategists have come to the conclusion that "protectionist" is not a label they want to have hung around their necks by the Republican Party in 1988.

The general view is that protectionism is a dangerous policy which is likely to backfire and one which did presidential candidate Mr Walter Mondale no good at all in the 1984 election.

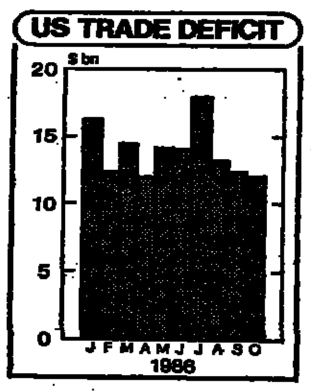
Polls suggest that American consumers like to have access to high quality foreign goods at attractive prices. Moreover, to embrace protectionism would leave the Democrats vulnerable to the charge that they are held in thrall by narrow interest groups—in particular organised labour.

Democrats argue that protectionism is not an issue which can be defined as the sort of upbeat, forward-looking theme around which successful election campaigns can be built.

So when it surfaces in legislative form the trade issue will be more clearly defined by Democrats in broader terms. One fo these is the idea of competitiveness.

It is recognised that trade law reforms can only have a marginal impact on the huge trade deficit and that macro economic imbalances, in particular the inadequacy of domestic US savings when measured against demands for capital, are the root cause of the trade deficit. There is a growing perception, too, that the underlying competitiveness of the US economy is not what it used to be.

The Bill passed by the House last year contained proposals for trying to improve the quality of American education, to boost maths, science and language studies for example, partly on the grounds that the US is suffering economically from years of neglecting education.




Anybody expecting the Democrats to propose narrow protectionist and sector specific trade law reforms is in for a surprise. Democratic strategies have come to the conclusion that "protectionist" is not a label they want to have hung around their necks by the Republican Party in 1988.

There has been persistent speculation, too, that Senator Bill Bradley might propose legislation in the Senate on the Third World debt issue and that this could be built into the Senate trade bill.

Inadequate growth in heavily indebted Third World countries is one factor in the poor US export performance. Highlighting the trade-debt link fits neatly into a political strategy designed to highlight the inadequacies of the Reagan Administration's macro economic policies.

US Treasury Secretary Mr James Baker, the man who dominates Administration economic policymaking and who has been leading the White House resistance to protectionist pressures on Capitol Hill, has not been idle in the face of these political threats.

Mr Baker spoke yesterday at a congress-sponsored summit in New York on the trade/debt issue, attended by Senator Bradley as well as officials from Third World debtors. For months Mr Baker has correctly seen the Bradley proposals for writing down Third World debts as a direct challenge to his flagging Baker Plan to resolve the debt.

Perhaps the most remarkable demonstration of the Treasury's concern to keep the political initiative on trade came last month from the normally taciturn Deputy Treasury Secretary Mr Richard Darman.

Mr Darman caused an uproar by attacking big business, a traditional bastion of Republican support. He described it as a "corpocracy"—those parts of large scale corporate America which "tend to be like the government bureaucracy that corporate executives love to malign: bloated, risk-averse inefficient and unimaginative.

"I believe," Mr Darman said," we have deeper cultural problems" than those captured in macro economic measures such as the budget deficit.

Observers on Capitol Hill suspect Mr Darman was sending a shot across the bows of big corporations preparing to push for new protectionist legislation. He may also be laying the foundations of a populist platform from which to broaden the attack to include organised labour.

The White House is determined not to leave the competitiveness issue to the Democrats. President Reagan's State of the Union speech is expected to contain proposals to improve the competitiveness of American business, including anti-trust reform initiatives.

Some Government economists concede, however, that the White House is on the defensive on the trade issue. Even on the most optimistic assumptions the trade deficit is unlikely to fall below $120bn and it could start rising again from this level.

On this view Mr Baker and the Republican Party can do little over the next two years except hope that they can convince the American voter that the expected decline in the trade deficit is a sign that the problem is being resolved and cross their fingers that moderate economic growth continues.

They may then be able to prevent the passage of legislation which would curb the President's authority in administering trade laws, and perhaps retain the political initiative on the broader trade and competitiveness issues.

An important tactical question remains: whether to continue refusing to negotiate with Congress on trade legislation, or try and work out a compromise with the new Democratic majority in return for the renewal of authority to negotiate trade agreements. The latter is necessary if the US is to play an effective role in the new negotiating round of the General Agreement on Tariffs and Trade (Gatt).

## Marubeni wins Y30bn US power contract

BY IAN RODGER IN TOKYO

MARUBENI, the Japanese trading group, has won a Y30bn ($185.39m) turnkey order to build a combined heat and power for AES Thames, a US electric utility.

Marubeni said that because of the impact of the high yen on Japanese equipment export prices, more than 90 per cent of the value of the contract would be procured locally in the US. Only the steam turbine will be made in Japan. It will be supplied by Toshiba.

Local procurement is the only way the big Japanese trading houses can remain competitive given the yen's value. Their plant equipment exports from Japan dropped 41 per cent in the first seven months of 1986.

The AES Thames plant will be designed by Black and Veatch, the boiler will be supplied by Combustion Engineering and the civil engineering and coal handling facilities done by other US companies. The plant will be built in New London, Connecticut.

Marubeni said the plant would generate 180,000 kw of electric power as well as supplying steam to a nearby paper mill. Construction will start early next year, with completion scheduled for 1989.

## Canadians win telecom deal

By Canute James in Kingston

NORTHERN TELECOM, the Canadian telecommunications company, has been awarded a $40m contract by the Puerto Rico Telephone Company for switching equipment which will add 200,000 lines to the island's network.

The expansion, to be completed by 1990, will replace some of Puerto Rico's existing 300,000 lines and add new ones. Northern Telecom won the contract after outbidding US companies AT & T and GTE and Nippon Electric of Tokyo.

Puerto Rico Telephone Company said the Canadian company would instal 23 DMS-100 switches and 11 remote switching stations.

## Nigeria seeks to revive barter with Brazil

BY PETER MONTAGNON, TRADE EDITOR

NIGERIA is seeking to revive the $500m countertrade agreement it signed with Brazil in 1984, as a means of raising extra resources to support the Naira in the local second tier foreign exchange market.

A revival of the agreement could boost trade between the two countries substantially. This has slumped this year following Nigeria's acute economic difficulties.

### Exports fall

Brazilian exports to Nigeria in the first six months of this year totalled only $150m, compared with $900m in the whole of 1985, while Nigerian sales to Brazil were $290m compared with $1.3bn.

Under the countertrade agreement, Brazil was due to supply Nigeria with a range of industrial goods in return for oil, but it was allowed to lapse by the Government of President Ibrahim Babangida after Brazil complained of corruption on the Nigerian side, and Nigeria complained that Brazil was providing over-priced and poor quality goods.

However, reactivation of the arrangement still depends on the outcome of tortuous negotiations now going on in Lagos, the Nigerian capital, over the problem of a cash balance in Nigeria's favour which was left over when the arrangement lapsed.

This money, estimated by local diplomats at more than $300m, is held in an escrow account in New York. Nigeria would like to see it released to provide extra foreign exchange for sale at its regular weekly auctions in the second tier market. But Brazil is anxious to see the release of the funds tied to its exports to Nigeria.

### More flexibility

Brazilian trade officials say they would like the arrangement to be revived if more flexible arrangements can be made for its exporters, but it remains uncertain whether they can supply the goods that Nigeria needs.

### Austrian deal

Nigeria is also understood to be involved in similar negotiations with Austria, with whom it had a $200m countertrade arrangement. There is still a $130m cash balance in Nigeria's favour under this agreement.

Even if agreement can be reached in these two cases, diplomats still believe Nigeria is unlikely to resume substantial countertrading in the long-term.

## Mitsubishi lands rail car deal

By Ian Rodger in Tokyo

MITSUBISHI ELECTRIC has won a Y20bn ($60.4m) contract to supply 450 railcars to the State Rail Authority of New South Wales, Australia.

Shipments will begin next year and the first railcar will begin operation on the suburban railways of Sydney in 1988. Deliveries will be over nine years.

Mitsubishi Electric will supply all the electrical and electronic equipment for the cars. The cars will be built at the company's Australian factory, which will be expanded.

The technologies for motors and peripheral equipment will be transferred to Australian manufacturers so the local production and procurement rate can exceed 53 per cent.

# AMERICAN NEWS

## Speakes moves away from the frontline

BY LIONEL BARBER IN WASHINGTON

THE ROW in the White House press room at the Reykjavik summit was vintage Larry Speakes. As one of the reporters bitterly complained that Mr Reagan's Press Secretary had privately briefed the New York Times and Washington Post on the summit and denied the scores of reporters accompanying the President equal access to information, Mr Speakes imperiously ordered the journalist to meet him in his office.

"Don't speak to me like that Larry" came the response, and in minutes the massed ranks of the White House press corps were marching towards the Press Secretary's room to hear Mr Speakes angrily denying that he had favoured anybody. He claimed disingenuously that, if any other reporters had bothered to turn up at his office at 2am on that Sunday morning, they would have been given the same information.

As it turned out Mr Speakes's guidance to The Post and The Times that things were going well turned out to be too optimistic, providing a clue that the President and his advisers had misread the direction in which the summit was heading.

The role of the President's Press Secretary can be one of the most important in the White House. Twice a day in front of the cameras in the cramped White House press room, the spokesman is in a position to help sharp Administration policy. He may confirm leaks which officials are putting out to further their goals in the propaganda battle with the Soviet Union.

As in Reykjavik he may guide reporters on the way events are developing or, as Mr Speakes has been doing for the past three weeks as the Iran scandal has rumbled on, he may find himself in the front line fending off questions aimed at extracting information which the White House believes could be damaging to the President.

Mr Speakes, a 46-year-old native of Tennessee who worked as a newspaper reporter before becoming Press Secretary to former Senator James Eastland, a Mississippi Democrat, has had more experience than most at this job. He worked in the White House press office under presidents Nixon and Ford and then became deputy Press Secretary to Mr James Brady when Mr Reagan became President.

When Mr Brady was seriously injured during the assassination attempt on President Reagan in 1981, Mr Speakes took on the top job while still retaining the title of deputy. He has been the longest serving Press Secretary since Mr James Hagerty who served President Dwight Eisenhower.

Mr Speakes has often made clear that he sees himself stuck in the middle of an unresolvable conflict between an Administration which wants to present its best face to the media and a press which takes seriously its constitutional role as a check on the Government. The almost constant tension in the White House, Mr Speakes has said, is a reflection of the "natural friction" in the relationship.

Under President Reagan that friction has been more intense than usual. Until the Iran controversy, the White House has been able generally to dominate the media. Indeed some Democrats have accused the White House press of giving the President an easy ride. The press has sensed this and has felt frustration. This frustration has boiled over now

Whether or not the President will suffer from the departure of a man who has handled a difficult job somewhat abrasively but with considerable verbal dexterity and skill will depend on who succeeds him. A few weeks ago Mrs Ann McLaughlin, a widely admired Interior Department official who had served as Mr Regan's spokesman at the Treasury Department was the front runner.

## Key right of fifth amendment

BY OUR WASHINGTON CORRESPONDENT

ONE senator who witnessed Vice-Admiral John Poindexter's appearance before the Senate Intelligence Committee on Wednesday described the scene as "one of the saddest days in the republic."

He said President Ronald Reagan's former National Security Adviser had "sacrificed himself for his commander-in-chief" by invoking the Fifth Amendment right against self-incrimination on three occasions under questioning from the committee.

The rights guaranteed under the Fifth Amendment go back to 1791 when congress passed the 10 amendments to the US constitution of 1787 which comprise the Bill of Rights in an effort to bolster individual liberty. One key provision states that "no person shall be compelled in any criminal case to be a witness against himself."

Mafia figures appearing during congressional probes into organised crime, have regularly invoked the Fifth Amendment. The shock on Wednesday was that a distinguished serving US admiral chose to do so, albeit on the advice of his attorney.

Both Mr Poindexter and Lt-Col Oliver North, the National Security Council staff official sacked for his role in the Iranian arms scandal, have invoked their Fifth Amendment rights. Lt-Col North apparently on 50 occasions this week. But both have suggested that they are willing, at some point in the future, to testify.

Why the delay? The problem centres on President Reagan's decision this week to clear the way for the appointment of an independent counsel (formerly known as a special prosecutor) to investigate possible violations of the criminal law.

Though no charges are pending against either Mr Poindexter or Lt-Col North, anything they might say could be taken down in evidence and used against them in a future trial.

There is therefore a tension between Congress's interest in pursuing its inquiries and the interest of the independent counsel. As yet, the independent counsel has yet to be appointed by a three strong panel of federal judges—nor has Mr Edwin Meese, the Attorney General, finished drawing up the mandate which will determine the scope of the independent counsel's inquiry.

## Brazilians to be asked to support 'social pact'

By Ivo Dawnay in Rio de Janeiro

PRESIDENT Jose Sarney of Brazil was yesterday preparing a direct appeal to the nation in a bid to regain public support for the Government after two weeks of bitter attacks on last month's post-election austerity measures.

As Brazilians awaited his nationwide television and radio address, it looked likely that the President would call for a new "social pact" between Government, business and the public. He is also certain to appeal for national unity in the face of the forthcoming negotiations for foreign creditors on debt rescheduling.

Officials pledged yesterday that no new measures such as the price and tariff rises—some as high as 100 per cent—announced two weeks ago were planned. In a brief meeting with journalists, Mr Sarney suggested that he would attempt to demonstrate how the price freeze — the core of last February's "Cruzado plan" measures — was still holding for 70 per cent of products.

On this point, Mr Sarney's widely acknowledged talent for reaching Brazilian hearts and minds might meet its match. Whatever the statistical evidence, the commonplace view is that blackmarkets and product shortages have all but finished the price freeze.

The sheer weight of hostile reaction to the package, which provoked attacks from within the government parties and a violent demonstration in Brasilia, appeared for a fortnight to have left the Government speechless.

Despite the public relations offensive, many elements of the so-called Cruzado package remain unclarified.

**Ann Charters adds from Sao Paulo:** Brazil's vehicle manufacturers saw production and sales plunge last month, as supplier shortages provoked hiccups in production, and an 80 per cent government-mandated price increase paralysed sales.

Anfavea, Brazil's car makers association, released figures showing production was down 28.9 per cent at 66.120 vehicles in November, compared to the previous month. Domestic sales were nearly halved at 48.6 per cent, falling to 40,577 units.

**Tim Coone** reports on a possible amnesty for the armed forces

## Uruguay set to end political crisis

AFTER several months of uncertainty, the political crisis in Uruguay seems close to a solution. At one point the uncertainty almost precipitated a dissolution of the congress, but a political agreement is now emerging which may avoid the need for new elections.

The crisis began in August when President Julio Sanguinetti's proposal to grant amnesty to all military and police officials accused of human rights violations during the military government of 1973-1985 was thrown out of the congress (the ruling Colorado Party does not have an absolute majority in Parliament). An alternative proposal for a partial amnesty from the opposition National Party (Blancos) could not be agreed between the three principal political forces in the country, the Colorados, the Blancos and the Frente Amplio, the left wing alliance.

Uruguay returned to democratic rule in March 1985 after an agreement between the armed forces, the Colorados and Frente Amplio, in what came to be known as the Naval Club agreement, led to general elections.

According to a close aide of President Sanguinetti, a deal has almost been worked out which has the support of most of the National Party. It will in effect be a total amnesty, in return for which the armed forces will make a public recognition of their past mistakes and dismiss from their ranks any senior officers responsible for the excesses of the repressive campaign.

In the past two weeks there have been positive signs of a softening of the military stance. General Hugo Medina, head of the armed forces, told troops at a parade that the military would not support those in its ranks "that had been involved in excesses or committed crimes for personal gain" during the repressive campaign.

On Monday, President Sanguinetti released a document to leaders of the National Party and Frente Amplio in which the military recognised the illegality of the 1973 coup and the past mistakes of some of their members.

Both Mr Liber Seregni, head of Frente Amplio, and Mr Walter Ferreira, who leads the National Party, have described the document as "encouraging." Under the Naval Club agreement both were prohibited from participating in the 1984 elections, a fact frequently overlooked outside the country and which is nonetheless a testimony to the transitional nature of Uruguay's democracy.

For the moment at least, the transition is still on course but will require careful manoeuvring by all involved if it is to stay that way. As the presidential aide commented: "There are still powerful sectors of the armed forces that believe another military coup will solve our problems."

Sanguinetti: hammering out deal with the military

After the 1973 military coup, Uruguay's military rulers carried out a repressive campaign against practically all opposition under the guise of eliminating the Tupamaro guerrilla movement.

Tens of thousands of people were imprisoned and tortured and many thousands went into exile from a population of only 3m. However, unlike Argentina where almost 9,000 detainees "disappeared" during its military dictatorship, in Uruguay most of the detainees reappeared. Only 164 remain classified as "disappeared," most of those having been abducted in neighbouring Argentina.

Nonetheless, the opposition is insistent that those responsible for rupturing Uruguay's strong democratic tradition in 1973 and for carrying out the illegal repressive campaign, should be brought to justice. According to Mr Seregni: "We will not be party to any agreement which provides an amnesty to those responsible for crimes."

The third political force in the country, Frente Amplio, came second in Montevideo in the 1984 elections, and its candidate for the Montevideo governorship, Mr Mariano Arana, received the highest vote for any individual candidate. Its ability to mobilise trade unions and students means that any amnesty agreed without Frente Amplio's support will ensure future confrontation.

As a result, desperate negotiations have been taking place in recent weeks to try to avoid a direct challenge by the armed forces to the civilian courts which are to try the human rights cases. The military threat to refuse to appear before the courts "has in effect created four powers in the Uruguyan state — the executive, the congress, the justice system and thet military," said Mr Arana. "And it's the military that has the guns," added one of his colleagues.

## US manufactured goods orders fall in October

BY NANCY DUNNE IN WASHINGTON

NEW ORDERS for US manufactured goods declined 3.6 per cent or $7.1bn to $192.3bn in October, the largest one-month fall since May 1980, the Commerce Department said yesterday.

The drop more than offset September's large increase of 3.4 per cent.

Most of the decline was due to a drop in orders for defence capital goods, a volatile category which last month fell 42 per cent. Excluding defence, new orders fell 1.8 per cent in October, the largest drop since last March.

The report was likely to bolster the belief of many economists that economic growth is showing few signs of renewed strength.

Within the major industries, ordrs for transportation equipment were down 9.8 per cent. However, an increase in parts orders for commercial aircraft partially offset a large decline in defence orders for aircraft and parts.

Overall, factory orders were 0.1 per cent weaker in the first 10 months of this year than they were over the same period in 1985.

Shipments of manufactured goods, which have fluctuated greatly over the year, declined 0.3 per cent to $195.7bn, following a 1.5 per cent increase in September. Unfilled orders for manufactured goods declined 0.9 per cent to $365.1bn, mostly due due to a drop in the defence capital goods orders backlog.

## Peru announces monthly programme of devaluation

BY DOREEN GILLESPIE IN LIMA

PERU'S President Alain Garcia has announced a crawling devaluation of the Inti, by 2.2 per cent a month throughout 1987. End-year rates are projected at 18.06 Intis to the dollar for basic imports and services and 22.59 Intis for the financial rate.

Present rates are to be frozen at 13.91 Intis and 17.40 respectively until the end of this year. But the price of the dollar on the free market shot up to 21 Intis this week.

Mr Garcia's government has kept the official exchange rate frozen since taking office in July last year. But the freeze applies to a shrinking number of goods and services following the creation of a multi-tier exchange rate over the past year.

The government this week effectively devalued the exchange rate for most imports by 25 per cent, transferring all goods except basic food and medicine to the financial rate. Exports are also being given a higher rate in a complicated system under which products the Government is trying to promote, receive a higher exchange rate than traditional exports.

The biggest increase goes to exporters of products made from local materials such as cotton, alpaca and woollen garments, canned fish, agro-industrial products and handicrafts, which also receive a 20 per cent bonus.

# Deficit on visible trade nearly doubles to £3.03bn

BY JANET BUSH

BRITAIN'S DEFICIT on visible trade nearly doubled between the second and third quarters, taking the current account into deficit by £781m.

This is the first quarterly deficit since the period from January to March 1985, when the current account was in deficit by £17m, according to figures released yesterday by the Central Statistical Office (CSO).

Preliminary data shows that the deficit on visible trade in the third quarter was £3.03bn while there was a surplus on invisible transactions of £2.25bn. The second-quarter visible trade deficit was £1.58bn, and the invisible surplus was £1.85bn.

The CSO said the current account was in balance during the first nine months of the year with the deficit on visible trade and the surplus on invisibles both at around £8.1bn.

The total for invisible earnings in the third quarter gives a monthly average of £750m. This is below the £800m a month projected by the CSO last week when it published balance-of-payments figures for October which showed a surplus of £65m on the current account.

Last Tuesday, the CSO also set a projection for receipts from invisible trade – which includes earnings by banks abroad and tourism – of £900m in each of October, November and December.

Government officials conceded that, given the lower-than-projected level of invisibles in the third quarter, it was possible that the £900 projection for the fourth quarter had been set too high. They also acknowledged the possibility that revisions could turn October's small current account surplus into a deficit.

Government statisticians emphasised that projections for invisibles involved rounding up figures to the nearest £100m and that they would be watching data closely as it was gathered to see whether a downward revision for fourth quarter receipts would be needed.

Given the total surplus on invisibles of £8.1bn in the first three quarters, a further £900m a month in the final quarter would bring the total surplus this year to around £8.8bn, above the Chancellor of the Exchequer's autumn statement forecast of £8.5bn.

The CSO's said the third quarter saw an increase in the non-oil deficit of around £1.4bn and a reduction of £100m in the surplus on oil. The Chancellor is forecasting a current account deficit of around £1.5bn in 1987.

There was some disappointment with the third-quarter current account deficit in the UK government bond market, but prices were, nevertheless, helped by sterling's steady performance. The Bank of England's trade weighted index ended yesterday at 68.0 compared with the previous close at 67.9.

# Agreed bid by P&O values European Ferries at £286m

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

P&O, the Peninsula and Oriental Steam Navigation Company, yesterday launched an agreed bid for European Ferries, following clearance by the Monopolies and Mergers Commission of its existing 20.8 per cent shareholding.

P&O is offering four shares for each 17 in European Ferries. The offer values European Ferries shares at 123.5p and puts a value on the company of £286.8m.

As an extra inducement, the 180,000 shareholders of European Ferries are being offered a second extra dividend of 3.85p. This was described by Sir Jeffrey Sterling, chairman of P&O, as "a generous move" in view of the probable inability of European Ferries to maintain its dividend because of deteriorating results.

In addition, P&O has undertaken to protect the rights to reduced fares on European Ferries' Townsend Thoresen passenger ships of 137,000 holders of special preference shares.

This concession is expected to play a major part in persuading small shareholders to accept the offer since the special preference shares are worth up to £50 on each Townsend Thoresen journey.

Sir Jeffrey said P&O had reached a separate agreement with two Canadian shareholders of European Ferries, which would raise its existing stake to 24 per cent. P&O was also reported last night to be actively buying shares in the market.

The offer was described by both P&O and European Ferries as "fair." There was less enthusiasm in the City of London, however. Mr Richard Hannah, shipping analyst with stockbrokers Phillips and Drew, said: "This is very keenly priced. It is the minimum P&O could offer and hope to gain control."

Sir Jeffrey said talks on a possible merger had been taking place since he joined the board of European Ferries in January. No decision had yet been reached, however, on the integration of European Ferries into the P&O group or on the future of senior management and directors of European Ferries.

Mr Geoffrey Parker, the chairman of European Ferries, said losses on the company's US property portfolio, which was badly hit by falling oil prices earlier this year, meant the board would be "knocking its head against a brick wall" in fighting the P&O bid.

Mr Parker said European Ferries had faced a choice of sheltering behind the strength of the P&O balance sheet or selling the US property holdings – in Denver, Houston, and Atlanta – at below book value.

"What we have done is in the interests of the shareholders," he said.

"The advantage of the merger with P&O, which we believe is a positive move, is that P&O are big enough to sit on this property until it comes back to being a very good investment," he said.

Technically, P&O's decision to launch a full bid could be referred by Mr Paul Channon, the Trade Secretary, for a further inquiry by the Monopolies and Mergers Commission.

Sir Jeffrey said this would be unacceptable since the issues had been thoroughly investigated.

"I would probably start tearing my hair out," he said.

Sir Jeffrey said the Government had to decide whether it wanted a strong British ferry group capable of competing with European competition and with the Sealink, the British company owned by Sea Containers of the US.

# Pay warning to striking teachers

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A ONE-DAY strike yesterday by most teachers in Scotland has increased the chances of legislation to impose a pay settlement, according to Mr Malcolm Rifkind, Scottish Secretary.

He gave a warning that the Government would have "no choice but to make its own contingency plans" if the Educational Institute of Scotland (EIS), the union which called the strike, considered any further disruption.

However, all parties in the teachers' pay dispute in Scotland hope for a negotiated settlement to emerge from talks being held this month and due to culminate in a meeting on December 23 of the national joint council on pay and conditions.

The EIS, which represents 80 per cent of Scottish teachers, claimed 90 per cent support for yesterday's strike. Reports from Strathclyde and Lothian, the two bigger regions, suggested that about 60 per cent of all teachers were not at work.

About 12,000 EIS members were said by the union to have attended a rally in Edinburgh, held to protest at the Government's two-stage 16.4 per cent pay increase offered to end the dispute.



# US bank takes full control of London brokers

THE US south-east regional banking group, NCNB Corporation, is to take full control of the London stockbroker Panmure Gordon, Barry Riley writes.

The bank previously had a 29.9 per cent stake, and a deal announced yesterday is said to value Panmure at more than £20m.

Panmure is probably just outside the top 20 London securities firms by domestic market share, but it has strong corporate finance connections. Unlike most of the big firms it has decided to remain an agency broker and has declined to move into market making.

This is the first deal involving an independent stockbroker since the Big Bang changes in the stock exchange's rules on October 27. Since October 27 commission rates have fallen sharply, and there have been suggestions that agency brokers have lost business to integrated firms which also have market-making arms.

The plan is for Panmure to be integrated into the London operations of NCNB. The restructured group, which will retain the Panmure Gordon trading name, will be involved in banking, capital markets and investment management as well as stockbroking.

NCNB Corporation had total assets of more than $25bn at the end of September. It has had a branch in London since 1978 and set up a merchant banking subsidiary, Carolina Bank, in 1978.

The original purchase of 29.9 per cent of Panmure Gordon was completed in May 1985. Unlike many similar deals involving London securities firms the arrangement involved no commitment to buy control at a later stage. Negotiations leading up to the new deal have been continuing since May this year.

□ **EUROPE** must aim for an economic growth rate of around 5 per cent for several years in order to bring down unemployment to an acceptable level, Professor Franco Modigliani, the 1985 Nobel Laureate in Economics, said. In a lecture to the Employment Institute in London, Prof Modigliani called for a new and co-ordinated stimulus to demand in European economies to promote faster employment creation. Such a stimulus should focus on a temorary relaxation of fiscal policy, with additional spending on investment and marginal employment subsidies, and on a looser monetary policy.

□ **MR PETER BENTON,** former managing director and deputy chairman of British Telecom, has been appointed director general of the British Institute of Management. He replaces Dr John Constable who resigned in July after only a year in the job. Mr Benton, who was BT managing director from 1981 to 1983 and deputy chairman from 1983 to 1984, is currently chairman of the European practice of information technology consultants Nolan, Norton and Co.

□ **A RECORD** 365m bottles of wine worth more than £1bn will be sold in the run-up to Christmas. Mr Arnold Tasker, chairman of the Wine Development Board, said: "In quantity terms, wine sales this Christmas are likely to be 3 per cent up on 1985. But it is noticeable that shoppers are raising their sights in the quality of wines they buy."

□ **FAILURE** rates in domestic telephone calls have not improved in 17 years and almost three quarters of people believe that privatisation has made no difference to the domestic phone service. These are two of the key results of the first report on BT's quality of service for domestic users issued by the Office of Telecommunications, the industry's regulatory body.

□ **PRISON** overcrowding worsened last year with a record number of inmates sharing single cells, according to the National Association for the Care and Resettlement of Offenders. It said urgent measures were needed to reduce the jail population to a level comparable with most West European countries.

□ **FUJI BANK,** one of Japan's largest banks, opened the first Japanese banking office in Manchester. The bank intends to support Japanese companies investing in the Midlands and the north of England and seeks business customers in the region.

□ **GUINNESS,** the troubled brewing and spirits company at the centre of a Department of Trade and Industry investigation, has appointed Mr Ian Chapman, chairman of publishing company William Collins, as a non-executive director.

□ **GOVERNMENT'S** plans to impose a statutory duty on all companies to sell safe consumer goods were criticised by the Confederation of British Industry for being "too vague and woolly."

□ **BANK OF SCOTLAND** is to provide banking services through the 336 branches of the National & Provincial Building Society, the UK's eigth-largest, from the beginning of next year.

□ **MORE NURSES** are leaving the profession than are entering it, the English National Board for nurse training has warned.

RECRUITMENT CAMPAIGN AIMS TO MATCH CHANGING LABOUR MARKET

# Union seeks temporary workers

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the Transport and General Workers' Union, Britain's largest, yesterday announced the launch of the first union recruitment campaign aimed specifically at the growing number of temporary workers.

The campaign is the furthest any UK union has formally gone in recognising and trying to come to terms with radical changes in the labour market which have seen a rapid growth in workers on short-term contracts and in seasonal, casual and agency workers. Unionisation is low among such groups.

The GMBU general union's emphasis on organising low-paid workers in the service sector covers some of the same ground, but it is not, unlike the TGWU's, precisely targeted at "non-core" employees, working on the labour market periphery.

The campaign, on which £100,000 will initially be spent and which will be inaugurated at a special TGWU conference of more than 500 of its most senior officials next month at London's Wembley conference centre, will focus on four key points:

- Policy. The TGWU is opposing employers' abuse of temporary labour and its use in replacing or undermining permanent workers. But the union said yesterday that it recognised there were legitimate cases for employing temporary workers.
- Bargaining. The union wants temporary labour to be regulated fully by collective agreements, with temporary workers enjoying equivalent terms and conditions to permanent staff. The union is drawing up a model temporary labour collective agreement.
- Legislation. It wants legislation to give temporary workers equal legal rights. The union will be pressing its case both with the Government and seeking policy commitments from the Labour Party.
- Organisation. The union, which estimates it has in membership some 20,000 temporary workers covered by national agreements, and more not so covered, is seeking to recruit temporary labour to ensure an observance of rights.

Using figures prepared by the Institute of Manpower Studies, the TGWU estimates there are some 1.7m temporary workers. The union said it could not afford to ignore these workers. Membership of the TGWU is now down to 1,396,000 after reaching 2.1m at the turn of the decade.

Mr Ron Todd, TGWU general secretary, speaking after the union's quarterly executive meeting which endorsed the move, said: "The nature of the labour force has been changing dramatically and will continue to do so.

"We cannot afford to be tied to the employment patterns of yesteryear. It is our intention to take the initiative and shape events, not to sit back and let them happen."

Mr Bill Morris, TGWU deputy general secretary, who will be heading the campaign, said: "There seems to be an attitude among some employers and politicians that temporary workers can be used up and thrown away at will. We are opposed to this sort of exploitation and the two-tier labour market which some employers are seeking to create."

Both the TUC and the Labour Party have sharply criticised the development of a two-tier labour market – well-paid, secure core workers and lower-paid, insecure peripheral workers – but TGWU leaders denied that their campaign contradicted that opposition.

- The TGWU is to hold next month a special conference on youth.

# BT plans miniature record file card

BY TERRY DODSWORTH

BRITISH TELECOM (BT), the UK telecommunications group, is to launch a filing technique which enables up to 800 pages of text and photographs to be contained on a single card.

The tamperproof cards are new in Britain but are already being used in the US, where the technology was developed by Drexler Technology of California, which holds the patents.

British Telecom Business Services is aiming to sell the idea to a range of customers, particularly in the health, security and security industries.

The UK group said yesterday that it was already negotiating with a leading London hospital which was considering the use of the cards for holding maternity records. Photographs of X-rays, sonic scans and medical notes for an individual patient could easily be held on the same card, which is only the size of a standard credit card.

BT said yesterday that it would be looking at how to adapt the technique – known as "Lasercards" – to telephone communications services. It might be possible, for example, to transmit information contained on a health card from one hospital to another.

Another area which is being exploited in Japan is the use of the cards for storing information in libraries.

One advantage of the cards is that they are cheaper and faster to produce than other data storage media such as floppy discs, which cost around £1.

British Telecom will provide the equipment for recording and reading the data and says that, while this is made in Japan, there is a possibility of local manufacture if the demand warrants it.

The "Lasercard" is the second "intelligent" card introduced in the UK this week. Citibank, the US-based financial group, has just launched a "smart" card which can be programmed for banking applications. The card looks like a normal plastic credit card but has a microprocessor embedded within it.

# DBS applicants face further questioning

BY RAYMOND SNODDY

THREE of the five applicants for the British direct broadcasting by satellite (DBS) franchise – one of the world's largest television projects – have been called back to the Independent Broadcasting Authority for further consultations on Monday. They are:

- BSB, the consortium which includes the Granada Group, Amstrad and Virgin.
- DBS UK, the consortium led by Carlton Communications and including London Weekend Television and Dixons.
- National Broadcasting Service, a consortium led by Mr James Lee and backed by Mr Robert Holmes à Court's Bell Group.

The DBS franchise to provide three new national channels of television in Britain direct from satellites to dish aerials on individual homes is likely to involve investments of around £500m.

The IBA was expected to take a decision in principle on the award of the franchise on Wednesday but instead decided to have a further round of questioning on Monday.

The Granada group has not raised all its finance, but Mr Holmes à Court has written to the chairman of the IBA, Lord Thomson, saying he is prepared to commit up to £275m in support of the British DBS project.

The IBA, it is believed, wants to raise with BSB the issues of their finance, the contribution of their franchise plans to the British economy and their willingness to consider other investors. The main issue facing DBS UK, it is believed, is not finance but whether their plans for a service funded entirely by advertising is feasible.

DBS UK claims to have its franchise plans totally financed and has two merchant banks, Robert Fleming and Hambros, as equity participants.

The other DBS UK investors are Columbia Pictures International and Saatchi and Saatchi.

None of the three applicants would confirm that they had been invited to the IBA for more talks, and the IBA said the matters were strictly confidential.

# Amoco resolves dispute over N. Sea field

BY LUCY KELLAWAY

AMOCO, the US oil company, said yesterday that it was pushing ahead with plans to develop the Arbroath field in the North Sea, after the resolution of a lengthy fight with the Department of Energy over the field's status.

Arbroath is one of the first oil developments to be announced since oil prices tumbled from more than $30 a barrel at the end of last year to less than $15 now. Most of the projects which looked profitable last year are firmly on the back burner.

The field is thought to contain about 70m to 75m barrels of oil and likely to cost about £250m to develop. Amoco intends to present the Government with its development plans during the next few months and expects the field to come into production by 1990.

The dispute, which has been rumbling on for more than five years, was over whether the field was a separate structure from the nearby Montrose field. Amoco had argued strongly that the fields were separate and had given a warning that, unless the Energy Department agreed, it would not develop the field.

Awarding Arbroath separate field status has changed the field's economics, by making it not subject to royalties, and unlikely to pay Petroleum Revenue Tax.

The Energy Department, which is concerned about the steep decline in North Sea activity, denied that its decision on Arbroath was coloured by its desire to encourage new investment.

Mr Alick Buchanan-Smith, Energy Minister, said yesterday that he was "pleased that it has been possible to resolve the matter of Arbroath's status through the department's normal practice."

According to Wood Mackenzie, the Edinburgh-based stockbroker, Arbroath is one of the most attractive candidates for development in the North Sea. It estimates that the field will achieve a real return of at least 10 per cent at an average oil price of $17 a barrel.

- Production of three North Sea oil fields, which have been closed since Thursday last week after a serious oil spill, is due to start again within a few days.

The three fields Claymore, Piper and Tartan, together produce about 300,000 barrels of oil a day.

- An oil tanker containing 84,000 tonnes of Brent crude oil ran aground in the Humber estuary, in eastern England, yesterday. There were no immediate signs of leaking oil from The Odyssey.

# AT&T to set up joint venture plant in Britain

BY DAVID THOMAS

AMERICAN Telephone & Telegraph (AT&T), the giant US telecommunications group, is setting up its first manufacturing plant in the UK.

The move is a further sign of AT&T's determination to build up its operations abroad following its break-up in the US in 1984.

AT&T executives in Europe say the company would like to manufacture more in Britain as it increases its sales in the liberalised UK telecommunications market.

The AT&T plant in Malmesbury, about 80 miles west of London will make transmission equipment. It will be run jointly with Philips of the Netherlands.

AT&T and Philips have had a joint venture in public switching and transmission equipment aimed at most markets outside the US since 1984. The joint venture makes switches in the Netherlands and transmission equipment in the Netherlands, Switzerland and Italy.

The type of equipment to be made at Malmesbury has been developed by AT&T in the US and is not being made at the other AT&T-Philips plants on the Continent. It will be sold both in Britain and on the Continent.

AT&T-Philips are spending about £17.5m in total on the project, including buying the site from Philips. The cost of the new building and plant is expected to be about £5m.

The factory will begin production next August and will employ about 100 workers when it reaches full output in 1988.

Mr Chuck Walsh, AT&T marketing manager for operation systems in Europe, said yesterday that he expected AT&T would want to increase its manufacturing in Britain as its sales increased.

"I would hope that it would be a growing activity because local content is one of the fundamental requirements in a market," he said. AT&T-Philips has sold switches, transmission and some software to British Telecom.

Philips is moving an existing plant of TMC, its telecommunications subsidiary at Malmesbury, to Scotland in order to make way for the new AT&T-Philips factory.

# Forgemasters given £10m loan guarantee

BY NICK GARNETT

THE GOVERNMENT has agreed to give a guarantee for loans up to £10m to Sheffield Forgemasters, the sickliest of the joint venture companies formed out of the rationalisations in the British Steel Corporation and private-sector steel operations during the 1980s.

The management at Forgemasters, put together four year ago out of the heavy forging and casting operations of BSC and Johnsons Firth Brown, said yesterday that it was a sign of the Government's confidence in the future of the business which had made a substantial trading turnround in the past 18 months.

The company, into which BSC has pumped £33m, racked up losses of £30m during the three years to June 1985 but is now making a trading profit.

Mr Giles Shaw, Minister of State for Industry, said in the House of Commons yesterday that the guarantee to Forgemasters' bankers should help the company complete its restructuring programme.

"This should in turn help the company's return to profitability which is the only way of securing job prospects for those who work at Sheffield Forgemasters," he said.

At the beginning of this year the Government turned down a plea from the company to provide the £10m guarantee, which had already been provisionally agreed, partly because the company was locked into a 14-week strike.

Mr Shaw said that the decision to give the guarantee followed a reappraisal of the company's financial prospects. It will be linked to an agreement from the company's loan stockholders to provide an interest-free moratorium to 1988 on £20m of convertible loan stock. That agreement has still to be approved.

Sheffield Forgemasters has been making a slight profit on trading so far in the financial year from July. But the management believes that there are some prospects of it making a bottom-line profit for the first time by the end of the year.

It made a so far undisclosed loss in the financial year to July 1985, but the company says the loss was very small.

Under Mr Phillip Wright, the managing director, and Mr Thomas Kenny, the chairman, both brought into the company in 1985, Forgemasters has been undergoing a radical change, including a restructuring into 10 separate business operations.

The company's total workforce, which stood at 6,300 in 1982, is now down to 2,700, but its yearly turnover has remained relatively stable at about £100m.

The company has used less than two thirds of its total loan limits of £13.7m and says it will not need directly for restructuring the £10m guaranteed by the Government yesterday, which it sees more as a symbol of the company's turnround.

"We are in business and we are going to stay in business," said Mr Wright.

Andrew Taylor reports on the beleaguered cement maker

# Blue Circle seeks more efficiency

IT HAS BEEN a trying year for Blue Circle, Britain's biggest cement manufacturer. It has lost market share, parted company with the chief executive of its UK cement division and, two weeks ago, announced plans to axe around 2,000 jobs over two years.

If that was not enough, domestic cement companies have faced renewed threats from cut-price imports as a fresh investigation has been launched by the Office of Fair Trading into the common pricing agreement operated by British manufacturers.

While this has been going on, Mr John Spalvins, an Australian businessman, has established a 7.9 per cent stake in Blue Circle Industries. Last week Blue Circle announced plans to sell its Australian cement interests in which it holds a 41 per cent stake: a move which, it says, is unconnected with Mr Spalvins' recent interest in the group.

All of which is reason enough for Blue Circle, which produces around 57 per cent of all cement sold in the UK, to feel beleaguered.

The announcement of redundancies and cuts might appear to be a logical conclusion of all the trials and stresses that Blue Circle and the rest of the cement industry is facing.

In fact, the reorganisation of the UK cement division is part of a long-term strategy by Blue Circle to improve profitability and competitiveness by introducing more flexible working practices, cutting overtime and raising productivity: the plans for which, the company says, were laid some time ago.

Sir John Milne, Blue Circle's chairman, admits that the timing of the announcement may have been unfortunate, but he says it would be wrong to link the redundancies with events of the last 12 months.

"This is not a reactive measure but part of a carefully thought-out strategy for a mature industry which is unlikely to see any appreciable advance in domestic sales. Any increase in profitability must therefore come from improved efficiency," says Sir John.

Sales by British cement producers, after falling throughout the late 1970s and early 1980s, have levelled at just over 13m tonnes a year. This compares with an average of 17.5m tonnes a year between 1968 and 1972 when the postwar building boom was at its zenith.

The reasons for the decline are primarily cuts in real spending by successive governments on capital construction projects and the improved quality of cement and greater use of additives, which has meant that relatively less cement has been used in concrete manufacture.

The decline in sales, coupled with greater pressure on prices and the rise in energy costs after the 1973 oil crisis, has forced manufacturers to invest in more efficient production techniques. Domestic producers – which still control almost 97 per cent of the home market – have traditionally used chalk to make cement.

But chalk contains a higher water content and therefore uses more energy to produce a tonne of cement, than does limestone, mostly used by continental European manufacturers. Some of the new techniques use filter presses to eliminate excess water.

The result of the changes in technology and lower sales has been that, since 1970, the number of UK cement works has fallen from 47 to 24 as more inefficient older plants have closed. The number of production workers employed by the remaining three British manufacturers – Blue Circle, Rugby Portland and Castle Cement, part of Rio Tinto-Zinc – has halved from 11,400 in 1974 to 5,700.

Despite this, domestic producers, like most of their continental European rivals, continue to suffer from overcapacity. British plants are capable of producing 2m tonnes a year more than is actually sold.

It is against this background that Blue Circle has announced a new round of redundancies. Its plan this time is not simply to reduce numbers but to introduce new working practices.

As its model, the group is using agreements negotiated at its plants at Cauldon, Staffordshire, in the Midlands of England, and Dunbar, East Lothian, in central Scotland, where £80m has also been invested in new plant.

The agreements at Cauldon and Dunbar have, says the company, produced greater flexibility between production and craft workers, particularly over maintenance. This has helped to reduce overtime and almost doubled productivity at the two plants.

Higher distribution costs and initial teething problems at Cauldron and Dunbar, now resolved, have contributed to the recent poor showing of Blue Circle's UK cement division.

Since 1982 British cement prices have increased by around 8 per cent, well below the level of cost increases, and this has further damaged profitability. Operating profits in the UK cement division have fallen from around £30m in 1984 to about £18m in 1985 and to £8m in the first half of this year. Market share is believed to have slipped this year from around 58 per cent to about 57 per cent.

Sir John Milne, however, stresses that there is no link between the reorganisation of the division and the resignation, just a few weeks earlier, of Mr Keith Court, as chief executive of Blue Circle Cement.

The UK accounts for only just under 8m tonnes of the 27m tonnes of cement that Blue Circle produced worldwide in 1985. Elsewhere, the group is expanding rapidly in the US after a series of acquisitions.

In Mexico, once the jewel in the company's crown, Blue Circle has recovered most of the ground it lost after the collapse in the oil price in the early 1980s which damaged the Mexican economy.

But with overcapacity in cement manufacture worldwide and new building no longer to the forefront of either mature or emerging economies, the 1980s has been a flat period for Blue Circle. Group pretax profits in the last four years have failed to match the record £119.7m achieved in 1981.

Blue Circle believes that improvements are most likely to come, through the greater efficiencies it is seeking in the UK and its expansion in the US, where operating profits after just four years are likely to rise this year to $70m (£49m) on a turnover of $700m.

Of the motives of Mr Spalvins, Blue Circle's new Australian shareholder, the group knows nothing. It is still watching and awaiting events.

# BCal's $1bn confidence gesture

Michael Donne says the decision by British Caledonian Airways to buy McDonnell Douglas long-range tri-jets follows a difficult year

THE DECISION by British Caledonian (BCal), Britain's largest independent airline, to spend £700m ($1bn) on nine of the new US McDonnell Douglas MD-11 long-range tri-jets, for service from 1990, is a gesture of long-term confidence after a year in which the airline received an unprecedented battering from events beyond its control.

The sharp fall in North Atlantic traffic after the US bombing of Libya, giving rise to fears of terrorism in Europe, coupled with the Chernobyl reactor disaster, severely hit BCal's North Atlantic revenues. The Libyan affair itself disrupted BCal's flights to and from that country.

At the same time, the fall in crude oil prices hit Saudi Arabian and other Middle Eastern traffic while devaluation of the Nigerian naira and continuation of "blocked earnings" problems in West Africa (where BCal is still owed substantial sums) also hit the airline.

As a result, the financial results for the year to October 31, when they are announced in the new year, are expected to show a substantial decline from the pre-tax profit of £21.7m for the previous year, 1984–85.

The airline moved earlier this summer to correct the situation before it got entirely out of control. By seeking voluntary redundancies of up to 1,000 staff, closing some overseas sales offices and reducing the number of flights offered on some routes, the airline sought to cut its costs and improve its productivity.

These moves seem to have worked. BCal now says that its productivity (as measured by the number of "available tonne-kilometres" or ATKs of passenger and cargo capacity produced for sale) is up by some 11 per cent over the previous year at 294,000 ATKs per employee, which it claims is substantially better than British Airways.

At the same time, traffic is improving, especially on the North Atlantic. Although the New York route is showing only a small improvement over this time last year, the Los Angeles route is up by some 50 per cent while the Dallas route is also much stronger. Freight is also doing well.

As part of an overall campaign to improve the airline's condition, Sir Adam Thomson, chairman, has set a profit target of £30m for the current financial year to end-October 1987.

Implementing this is the task of Mr David Coltman, managing director. He prefers to put the past year behind him, but he is confident the target can be reached.

He has already budgeted for a profit of £24m, including taking account of the heavy launch costs of the airline's new route to Tokyo, which it expects to start next spring if the UK Government can win the necessary Japanese approval.

He believes he can achieve the remaining £6m by "fine-tuning" various aspects of the airline's performance.

Mr Coltman admits that the airline does not want to see any repetition of the external troubles that befell it during 1986, but he believes that the retrenchment measures undertaken have improved its ability to overcome any further difficulties that may emerge.

During 1987 BCal's primary expansion plans involve the opening of the new route to Tokyo, and the airline hopes, also to Seoul, South Korea. It has also sought rights to Osaka in Japan and has made an application for flights to Shanghai.

Together with its existing route to Hong Kong, these will create a package of Far Eastern operations that will complement the existing packages of routes to the US, to Saudi Arabia and to the Gulf area, to Africa and to Western Europe.

BCal has also sought additional routes in Western Europe, to Copenhagen, Oslo, Stockholm, Athens and Rome, to supplement its existing network that includes Paris, Geneva, Brussels, Amsterdam and Frankfurt.

Its aim is to ensure that it has sufficient European short-haul routes not only to produce profits in their own right but also to generate traffic for its long-haul services.

While the new order for MD-11s will meet the needs of the long-range routes in the 1990s, a new fleet of European short-haul Airbus A-320s, ordered some time ago (BCal was the launch customer for the A-320) and due for delivery from 1988, is expected dramatically to improve the airline's image and earning capacity in Western Europe.

Hitherto, the short-haul routes have depended upon the small, ageing One-Eleven jet. The advanced, larger A-320 will create an entirely new image for BCal on European operations.



# Britain fast becoming role model for venture capitalists

BY HUGH DIXON

FINANCIAL TIMES CONFERENCE

Venture Capital

THE UK venture capital industry has almost caught up with its counterpart in the US, Ms Susan Lloyd, the editor of the UK Venture Capital Journal, said yesterday.

Speaking at the second day of a forum organised by the Financial Times and the British Venture Capital Association, Ms Lloyd said there were now 110 specialist venture capital firms in the UK compared with 550 in the US, a country five times larger.

The pool of money available to finance venture capital projects in the UK was £3.1bn ($4.5bn), less than the $20bn in the US but much more than the C$1bn available in Canada – which is third place in the venture capital league. British venture capitalists were still turning to the US for their role models; but increasingly Britain was becoming a role model for the rest of the world.

Within the UK, the pattern of venture capital finance was unevenly spread, Ms Lloyd said, as there were more venture capitalists in London than elsewhere and they tended to back local companies. In 1985, 27 per cent of all companies backed by venture capital were in London and 25 per cent in the south east of England; but only 8 per cent were in the north of England, 2 per cent in Wales and 1 per cent in Northern Ireland.

Although 18 funds had been set up, which specialised in particular regions, between them they had raised only £50m. Ms Lloyd identified six changes in the pattern of UK venture capital finance in 1986.

- Fund-raising had become harder as investors became more demanding.
- Most new funds (13 out of 18) were specialised – either by industry, region or in some other way.
- The time lag between a management buy-out and the flotation of the company was getting shorter.
- Venture capitalists were syndicating more of their projects among several firms rather than finding the funding themselves, but this was still much less important than in the US.
- The minimum size of investments was getting larger.
- Venture capital investment across national frontiers was increasing.

# Shah presses for new editor at Today

BY RAYMOND SNODDY

MR EDDIE SHAH, chairman of Today, the colour newspaper launched in March this year, has written to Mr "Tiny" Rowland, the Lonrho chairman, recommending that the loss-making newspaper should have a new editor.

The appeal comes as Today's circulation has started to slide again after the boost it was given by the introduction of a new game Scoop and advertising on television. The campaign pushed the circulation up to around 370,000, but it is believed that sales are now not much above 300,000.

Losses which had been cut to about £1.2m a month are now believed to be accelerating. Total investment in the paper has already topped £40m.

Mr Shah yesterday refused to confirm or deny that he had written to Mr Rowland calling for Mr Brian MacArthur, the founding editor to be replaced.

Mr MacArthur's professional skills are widely respected at Today, but there is a growing feeling that as a former senior Times and Sunday Times journalist he does not have the natural instincts of a tabloid editor.

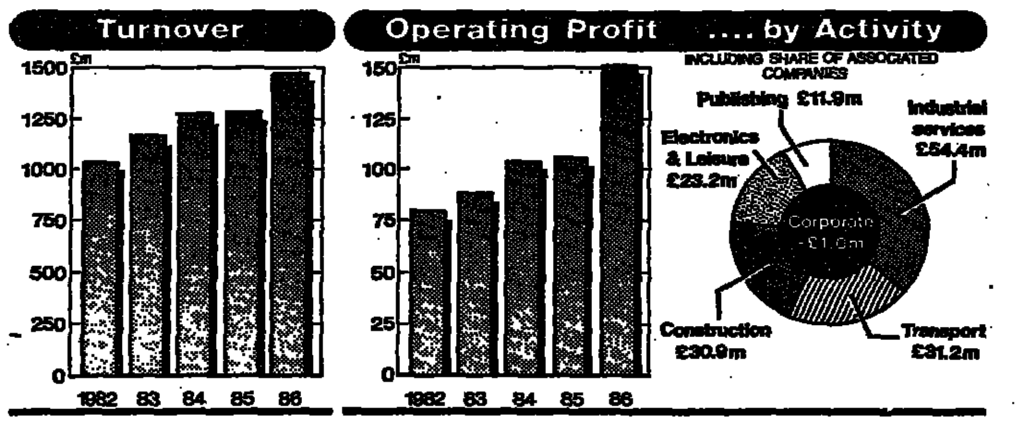
Yesterday it was announced that Mr Nick Morrell, a former commercial director of The Observer, would take over as managing director of Today on January 1.

# MANAGEMENT

Corporate strategy

## BET: an attacking form of defence

**Charles Batchelor explains the UK services group's restructuring**




Trevor Humphries

Nicholas Wills (left) and Hugh Dundas: rushing into the services sector

NICHOLAS WILLS, chief executive of BET, the diversified services company, looks pleased with himself. He has just returned from a lunch where five people round the table did not look mystified when he told them what he did.

"People used to look blank when I told them who I worked for," he says with a smile. For a company which just three years ago made the mortifying discovery that three out of five of its shareholders had no idea what it did *that* is progress.

BET has spent the past four years attempting a remarkably radical restructuring. It has sold off its North Sea oil interests and its television rental business and gone on an ambitious acquisition spree, buying a swathe of companies in the construction, cleaning and security fields.

BET now has a spread of interests from towel and workwear rental to road tankers; double glazing to scaffolding rental; and aircraft cockpit simulators to slimming magazines. Turnover has increased steadily from £884m in the year ended March 1982 to £1.33bn last year while pre-tax profits have nearly doubled from £67m to £125m.

The spur to all this activity was the fear that BET would fall victim to a hostile takeover bid. Established as British Electric Traction in 1896 it was a pioneer operator of Britain's tramways. But after a municipal takeover of its tram operations in the 1920s it moved on to buses until they were nationalised in 1968. By the late 1970s BET had run out of steam.

For the five years up to 1983 its profits had stagnated around the £60m-£70m figure. When Thomas Tilling, another sleepy conglomerate, fell to a £700m takeover bid from Sir Owen Green's BTR in June 1983 the warning bells could no longer be ignored.

The City has yet to accord BET the re-rating it is seeking and at one stage it appeared as if the speed of change was confusing rather than impressing investors. But BET has boosted its market capitalisation from just £200m to £1.25bn in five years and become a less obvious target.

Its recent history also holds lessons for other companies seeking to restructure themselves. It may offer an alternative to a bruising takeover bid, which has been the City's favoured way of revitalising underperforming companies.

The main architects of BET's change have been Wills, an energetic accountant who came into the group from a career in investment management, and Hugh Dundas, a wartime fighter ace and former journalist. They were appointed managing director and chairman respectively in June 1982.

Both men had come up through group subsidiaries and Wills's father, Sir John Spencer Wills, had been chairman for many years; so the City could be forgiven for not noticing that a new era was about to begin. Dundas has since retired to a non-executive role and Wills, now chief executive, is the main driving force.

The first decision facing Wills and Dundas was—what did they want BET to be? It had a slew of unrelated subsidiaries and affiliates working to a range of different year ends.

"We carried out a good year of research to discover where we were," says Wills. "It was not a case of working it out on the back of an envelope in the bath. We started with the simple concept of getting out of markets where we were weak and developing those where we were strong."

BET decided to concentrate on the service industries because, it reasoned, most companies in these areas tended to be small and there were also good growth prospects. Such industries were also characterised by long-term relationships with customers which made for stable earnings.

Though BET now claims to be the leading company in many of these areas—such as contract cleaning, textile rental, replacement windows and crane and plant hire—it rarely acounts for more than 15 per cent of any market. This is insufficient to allow the company to influence prices but leaves plenty of "headroom" for growth.

BET's research showed that 40 per cent of its turnover was produced by businesses which were in a weak position in their market place—which meant that the turnover of the BET operation was less than 70 per cent of that of its leading competitor in its particular niche market.

Now only 5 per cent of BET's turnover comes from weak businesses while some 75 per cent comes from strong companies—those with sales at least equal to those of their leading competitor.

This shift has been achieved by a three-pronged strategy of acquisitions and new business development. The common feature of all three is that the company fits in terms of product or market; that it will not dilute BET's earnings per share for more than a few months, if at all; and that it is capable of making an acceptable return on investment in the first full year—between 18 and 22 per cent.

● The first prong was the complete assimilation of large subsidiaries or affiliates into the BET group. *Rediffusion*, the electronics company, and two laundry groups, Initial and Advance, were absorbed in this way.

*Achieving full control of* Initial, which had previously been 41 per cent owned, meant BET could attack the towel rental market more aggressively.

"There is very little difference in control terms—they still let our managers manage," says Brian Thompson, chief executive of Initial, "but BET gave us the backing to bid for HAT cleaning, painting, plant hire and Brengreen (cleaning). This has made us big enough to be able to influence the market place."

● Second, BET set out on a stream of new acquisitions. Its first target was Anglian Windows, a privately-owned double glazing company, bought in September 1984. Anglian complemented Boulton & Paul, BET's window frame subsidiary.

Anglian presented a major challenge in terms of reconciling very different corporate cultures. The creation of George Williams, a strong-minded entrepreneur, Anglian was run by a team of highly-paid, performance-oriented managers.

"We didn't need direction before," says Alan Keizer, joint managing director of Anglian. "We enjoyed ourselves and earned a lot of money. If we wanted to spend £1m on a bit of machinery we would do it. Now we have to prepare an annual capital budget. BET requires a lot of forward planning to satisfy the City and its shareholders."

BET is also keen to reap the benefits of its new acquisitions. Apart from imposing common financial disciplines it is also attempting to achieve savings by a common buying policy for anything from fuel to insurance.

It also expects group companies to provide their expertise to headquarters when it plans new ventures.

● Finally, BET has set out to develop new business areas. Two are currently being expanded — security services and home improvements. New business developments are headed by John Allan, formerly director of the retailing division of the supermarket chain Fine Fare.

The embryonic home improvements division Hometrust was formed from two small companies — Metlex (bathroom fittings) and Roomsets (fitted bedrooms) — which had been extracted from two larger BET companies, Initial Services and Boulton & Paul respectively. It is now being expanded by acquisitions, most recently Farouche Cuisine, a fitted kitchen manufacturer.

Allan works with a team of two, researching markets and agreeing general strategy and financial targets. "Companies may have a good intuitive feel for markets in the early stages but lose this later as the market changes. BET encourages them to look for new opportunities," he says.

Crucial to BET's restructuring has been the creation of a strong headquarters finance team. Before BET set off on its new course its subsidiaries had been largely responsible for their own financial affairs. All BET did was to consolidate subsidiary accounts for the purposes of its annual report.

"The group wasn't able to use its clout at the financial level," says John Griffiths, BET's deputy finance director. This has now been tidied up. Bank overdrafts have been converted to cheaper money market borrowings and an innovative financial programme has begun involving the sterling commercial paper market and a convertible Eurobond.

The restructuring of the past three years has given BET the capacity to offer a service package to major customers. At BSC's Ravenscraig steel mill for example BET companies clean offices and plant, supply and launder the workforce's overalls, clean and re-brick kilns, provide a fire-fighting service and move steel around the site. "We do almost everything but make the steel," says Wills.

This search for industrial synergy—a derided term Wills shows no embarrassment in using—distinguishes BET from other more purely financially-driven conglomerates such as Hanson Trust and BTR.

But whether its publishing and flight simulation activities can be justifiably regarded as fitting into the services industry jigsaw is more questionable. BET claims they do but one analyst comments: "They probably overplay it. Would you really put together scaffolding hire, computer magazines and simulation technology if you wanted to build a dynamic holding company?"

More important, how do you get the different divisions of a diversified company to work for the corporate good when they are not even used to thinking collectively? BET is wrestling with this problem at the moment.

It is attempting to devise a system for rewarding, say, a linen rental salesman for persuading a customer to sign a waste disposal contract. "It would be counterproductive to get people to fill in forms," conceded Wills. "But we are starting to formalise matters."

One area that is already being investigated is co-operation between the Rediffusion teams which install TV systems in hotels, and Shorrocks, which provides hotel room locking and security systems.

All this activity would serve little purpose if it were not explained to BET's shareholders—the institutions which own 70 per cent and the 45,000 small investors who own the rest.

Both have been courted intensively, the fund managers and brokers with presentations, the small shareholders with a series of investor evenings around the country. Their loyalty would be crucial if a hostile takeover bid were to be made.

What has this welter of activity achieved? A leaner, fitter BET has emerged but the stock market is still reserving its judgment. BET's share price has risen but no faster than the FT All Share index. Compared with the performance of Britain's two most glamourous conglomerates, Hanson Trust and BTR, BET's performance has been pedestrian.

"It's a well-managed company and the Wills team is good," says Bruce Jones, an analyst with stockbrokers Kitcat and Aitken. "But it's a hell of a long process to change people's perceptions and attitudes."

## Business courses

**The second European advertising and media conference,** Brussels. February 23-25. Fee: *Non-members* BFr 69,500; members BFr 62,600. Details from the Registrar, Management Centre Europe, Postbus 95, NL-3417 AH Montfoort, The Netherlands. Tel: 32/2/516.19.11. Telex: 21917 mce 8. Telefax: 32/2/513.71.08.

**Strategic planning and decision making,** Oxford. December 16-18. Fee: non-members £448.50; members £414. Details from The Strategic planning Society, 15 Belgrave Square, London SW1X 8PU. Tel: 01-235 0246/7.

**Effective product management,** London/Birmingham. January 27-28 (London); March 3-4 (Birmingham. Fee £460 (£483) after January 13). Details from Miss J K Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G/Ref 1202.

***How to conduct successful negotiations in a corporation*—including technical, marketing and financial environments,** London. January 19-20. Fee: £575 + VAT (individual); £520 + VAT (each additional participant). Details from Seminar Department, Frost & Sullivan, Sullivan House, 4 Grosvenor Gardens, London SW1W 0DH. Tel: 01-730 3438. Telex: 261671. Fax: 01-730 3343.

***Marketing management*,** Brussels. January 19-23. Fee: non-members BFr 82,700; members (AMA/I) BFr 74,400. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21.917. Telegrams Manacentre. Telefax 32/2/513.71.08.

**Strategies for managing mature (or declining) businesses,** London. January 13. Fee: £395 Individual + VAT: £355 each additional *participant* + VAT. Details from Frost & Sullivan, Sullivan House, 4, Grosvenor Gardens, London SW1W 0DH. Tel: 01-730 3438. Telex 26171. Fax: 01-730 3343.

**International company lawyers' conference,** Munich, February 18-20. Fee: Non-members BFr72,000; Members (AMA/I) BFr64,800. Details from Management Centre Europe, rue Caroly 15, Brussels. Tel: 32/2/516.19.11. Telex: 21.917. Telegrams Manacentre. Telefax 32/2/513.71.08.

**Standard conditions of UK defence contracts,** London. January 28-29. Fee: £460. Details from Cordelia Currier at Lion International, Premier House, Southampton Row, London WC1B 5AL. Tel: 01-833 2705-6. Telex: 24667 (IMPEMP G) Attn: Lion Intl. Fax: 01-830 6458.

## CEMENT INDUSTRY

**Tim Dickson** on the Belgian cement group's big North American deal

# CBR homes in on the US market

ANY MAJOR Belgian company that doubles its size in one acquisitive gulp—especially when the target is North American—deserves attention in its own right.

But the recently completed C$452m (US$327m) purchase by Cimenteries CBR of the cement activities of the Canadian group Genstar is equally significant as a guide to the developing strategy of CBR's "parent" company, Société Générale de Belgique.

"La Générale," as Belgium's largest financial and industrial holding company is often known (reflecting its pivotal role in the local economy) owns just over 25 per cent of CBR, the dominant Belgian cement and ready mixed concrete manufacturer.

But the links between the two groups are a lot closer than the possession of a simple minority stake might suggest. Société Générale not only made a significant financial contribution to the financing of CBR's ambitious acquisition; its guiding hand is evident from the fact that the deal neatly illustrates the aims being pursued by the *Société Générale's governor*, Mr Rene Lamy.

In a nutshell Société Générale—an extraordinary collection of stakes in more than 1,200 subsidiaries and associates—has committed itself to reorganising its portfolio into ten homogeneous areas (of which cement is one) and to expansion beyond Belgium in international markets, notably North America. In this respect, recent developments at CBR represent a significant step.

The acquisition of Genstar's cement activities, however—one of the largest deals abroad by any Belgian company and likely to produce a group with combined turnover of BFr 35bn ($593m) in 1987—is far from a leap in the dark. CBR has had interests in North America since the mid 1950s and over the last two to three years in particular had conspicously stepped up its search for growth on the other side of the Atlantic. It is there, according to Mr Julien Van Hove, the company's president and director general, where CBR's future increasingly lies. "All European countries are suffering from overcapacity in the cement sector," he complains.

"At 75 per cent our capacity utilisation is good compared with an average of perhaps 65 to 70 per cent for others, but it is obviously very difficult to get bigger in Europe. On the other hand, there are still plenty of opportunities to expand in North America, particularly the US."

He adds: "We expect cement consumption to stagnate in Europe over the next 10 years. In the US, the industry is looking for growth of 2 per cent per year."

CBR's experience of North America over the years has mostly involved selling the benefits of its acknowledged technical know-how. Its direct interest in that market has been relatively limited until now.

The company's first venture into North America dates back to 1954 when it provided

Rene Lamy (left) and Julien Van Hove: reorganising Société Générale's portfolio and planning growth by acquisition

management advice and engineering skills for a new Canadian business called Inland Cement. Inland was subsequently merged with Sogimines (Société Générale de Minerale) in 1964 before the combined group changed its name to Genstar in 1969.

CBR, meanwhile, had purchased a Montreal-based cement, concrete products and construction company called Miron in 1960—a move which initially proved successful but which later suffered from the problems of the Quebec economy before being sold to Genstar in 1972. At that point CBR became a 4 per cent shareholder in Genstar.

That stake assumed increasing importance after 1974 when, in common with other countries, Belgium's building industry was hit by the oil crisis and, according to Mr Van Hove, government policies restricted access to new capital. The problem for CBR was that Genstar's cement and construction activities gradually became less important in the overall context of the group as moves were made to diversify into other fields.

That is why in 1984 CBR and Genstar set up a new partnership to operate Genstar's two plants in California and to expand from this base in the US. CBR started with a minority holding of 17 per cent but the agreement was that this would be raised to 50 per cent at the end of eight years.

The opportunity to purchase the entire cement activity of its new partner came when Genstar was taken over by Imasco and the new owner put that side of the business up for sale. The BFr 14bn purchase price inevitably proved quite a mouthful for a company with shareholders' funds of just BFr 10.8bn at the end of 1985 — hence the value of the link with Société Générale.

Half the required proceeds were borrowed from Canadian and US banks; the rest was raised by subscriptions to a new Dutch holding company—CBR Cement Corporation BV—in which Cimenteries CBR has 82 per cent and Société Générale 18 per cent. CBR raised BFr 2.7bn of the BFr 5.7bn needed through a one-for-three rights issue, providing the rest from cash balances and new medium term bank loans. Société Générale contributed around BFr 2.5bn in all to the operation through its participation in the CBR capital increase and its direct stake in the new company.

The Genstar deal may be blazing a new type of trail for CBR and "La Générale," but in terms of large-scale European participation in the North American cement market the Belgian group is a late entrant. Most of CBR's major European competitors—Holderbank of Switzerland, Blue Circle of the UK, Lafarge and Ciments Francais of France and Heidelberg of Germany, for example—are already represented and indeed European companies between them now control more than 50 per cent of the sector.

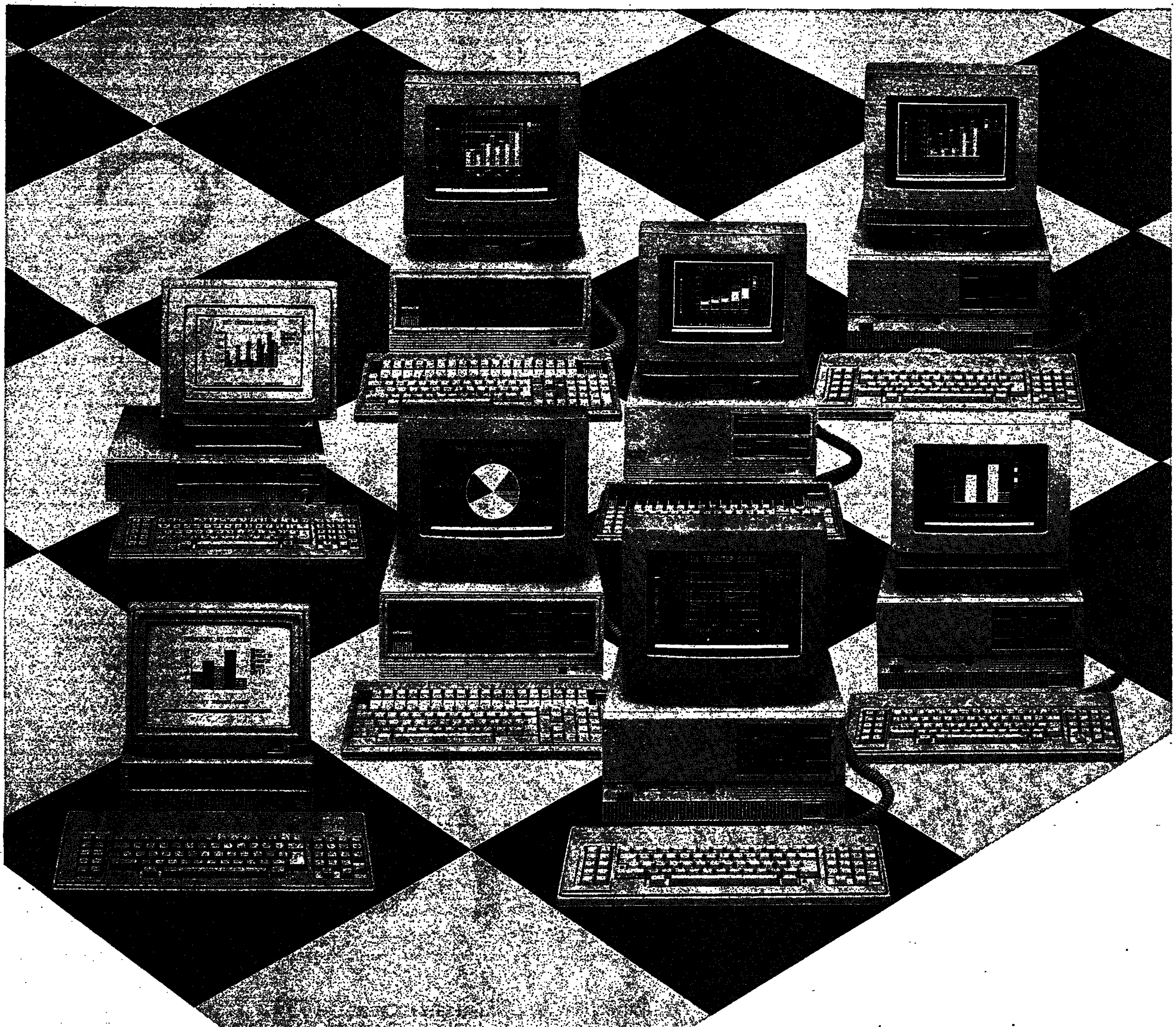
Mr Van Hove nevertheless believes that CBR can grow through acquisition, with his targets for the moment likely to be smaller family-controlled companies.

He adds: "Fifty per cent of our cash flow is to go on replacement of existing plant, the other 50 per cent on acquisitions in North America."

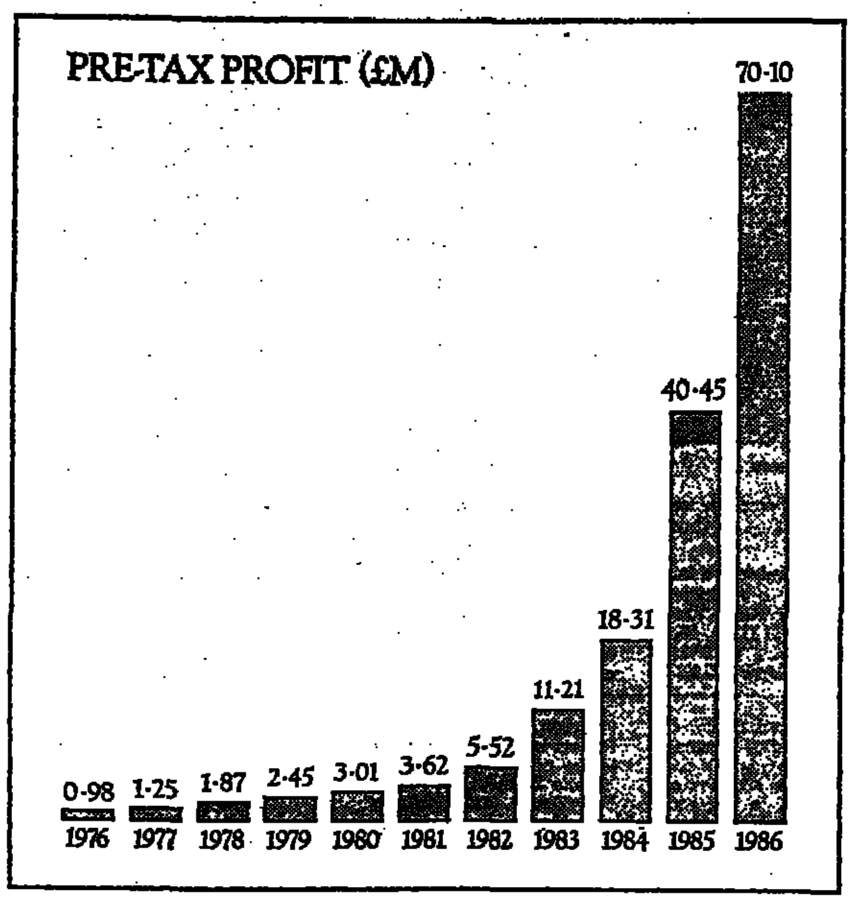
Analysts generally accept CBR's technological strengths, but the question remains how much growth can be squeezed out of the new North American operation. A Kredietbank analyst points out that the boom in US housebuilding has tailed off with obvious implications for the construction and cement industry. Office building and investment property, he adds, are also not as healthy as they were.

Even Mr Van Hove admits that European earnings—admittedly without the burden of the major closure costs of previous years—are likely to be better than in North America in 1986 and 1987 (the reverse was true in 1985).

Genstar's cement activities, spread across several thousand miles from Winnipeg to Vancouver to San Francisco, also represent a formidable new management challenge for a Belgian business. CBR, though, points out that the North American operations are already well run, that no key managers have left, and that the links between the two groups are already strong because of past co-operation. The former executive vice president for cement in Genstar has been appointed president and chief executive officer of CBR's North American division, and only one senior CBR executive has been despatched from Brussels on a permanent basis.



1986 was the sixteenth consecutive record year for the Company. In 1986 we achieved what few British companies achieve – world market leadership in our business sector. In doing so we have firmly positioned the Company for maximum growth and security.




The advertising business has been going through structural change like many of its clients, seeing the emergence of global concerns and the concentration of the business into fewer hands.

Over the last 5 years the share of total world advertising spending by the largest 100 US advertisers has risen from 12% to 17%. Over the last 10 years the small group of multinational agencies have grown by 311% compared to 130% for domestic agencies, increasing their share of world advertising from 12% to 20%. And their number has shrunk from 12 multinationals five years ago to just 8 today.

Professor Sheth of the University of California sees most industries becoming organised into no more than three global concerns and a number of niche players. Three seems to be the magic number in almost every market. This follows the 'Law of Dominance' expounded by research studies which define market rank in these simple terms: No. 1 is wonderful; No. 2 is terrific; No. 3 is threatened; No. 4 is fatal.

During the course of 1986 the Company took significant steps towards achieving improved market rank. In February we added creative strength in the US through the acquisition of Backer & Spielvogel Inc., America's fastest growing agency of recent years and highly regarded for its outstanding work for major US clients.

More recently the Company acquired Ted Bates Worldwide Inc., the world's third largest advertising network. Through Bates we have been able to add a truly global structure to the Company's operations.

We are now the leading company in nine key markets including the US and UK, and rank in the top five in a further twelve countries.

The Company's 150 wholly owned offices worldwide now work with over 60 of the world's largest 100 advertisers and over 40 clients in five or more countries.

## A GLOBAL RESOURCE

To put the scale of the Company's advertising operations into perspective, the billings of our agency in Minneapolis exceed those of any agency in the UK. The profits earned in 1985/86 by our agencies in Scandinavia alone exceeded those of the next largest UK quoted agency. In 1987 the Company is expecting over fifty individual profit centres to generate pre-tax profits of more than $1 million each.

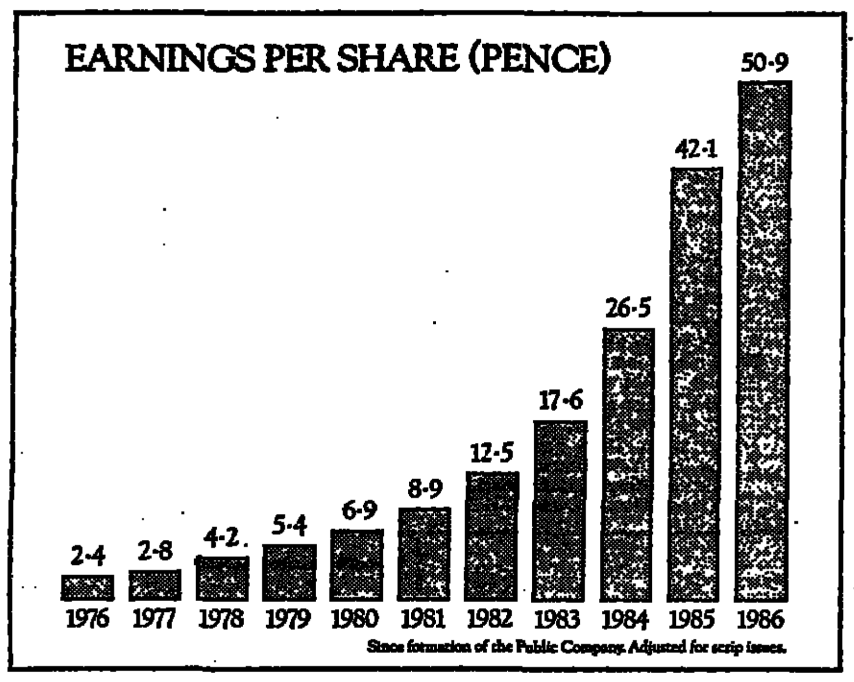
In order to achieve a prize of this magnitude it was inevitable that some clients would be given up due to conflict with others. Over the last six months this expected restructuring of clients has duly taken place. Though the total value of business transferred, almost $400 million, has produced a number of gory headlines, it represents only around 5% of total group billings, and has been more than compensated for by over $400 million of new business gained within the group in the same period, including major assignments from Procter & Gamble, RJR/Nabisco, Xerox, Mars and Renault.

The Company's global scale and resource provide us with the strength from which to build our world advertising market share from its current level of around 5%, and our market position within the important sectors which together make up the business services industry.

The Communications Division has already made good progress in the year by the establishment of a significant presence in direct marketing in Europe, to build on our strength in this fast growing field in the US and in the UK our public relations operations now rank amongst the top three.

The partnership with Dancer Fitzgerald Sample (DFS), the 13th largest US advertising agency, has provided a major international alliance for Dorland in the building of a substantial independent and autonomous group.

The Consulting Division had an encouraging year. Following top level promotions within the Hay Group which has seen the next generation of management succeed to key positions in the company, we are looking forward to significant growth from this sector of our business.




The business services market is large, fast growing and highly fragmented. An ideal opportunity for the Company to exploit existing net cash resources of over £100 million organically and by further acquisitions.

## A CO-ORDINATED BUSINESS SYSTEM

In recent years the best run companies have been seeking to bring together every part of their organisation in a co-ordinated drive for maximum efficiency. In this 'holistic' view every part of the business pulls together in the same direction – a clear strategy, a simple organisational structure, highly motivated people working with the best information, sound marketing and good communications with customers and staff.

To achieve the optimum business system for its industry, every aspect of a company's activity has to be seen holistically – or the organisation is only as strong as the weakest link in the chain.

A brilliant new strategy is of little use if the people in the company don't understand it, or are not motivated by it. And highly motivated people are not much use either if they are acting on the wrong information, or are not communicating clearly with their customers.

In essence, the workings of a company are not dissimilar to the workings of one's body. There is no point in trying to get fit just by dieting, because regular exercise is needed as well, coupled with the right diet, and the right psychological condition.

Our objective is to help clients achieve their optimum business system by offering a co-ordinated expertise in the key business services areas: advertising, direct marketing, public relations, sales promotion, research, design, management consultancy and recruitment. Already, over 30 major clients work with our Company across 3 or more of these sectors.

Theodore Levitt, Professor of Business Administration at Harvard Business School, one of the most influential thinkers about global marketing and business trends, has joined the Boards of both our Communications and Consulting Divisions. His experience has already proved beneficial to the Company and a number of our clients.

## A CREATIVE FOCUS

Our consistent strategic aim is to achieve the highest standards of professional excellence in every sector and in every country.

We believe that we should never be satisfied with the status quo, but should always look for a better way – both for ourselves and for our clients. That real change *can* be achieved.

Observers often ask how it is possible to remain 'creative' as you get bigger. Certainly, it is possible to create a small organisation with a handful of people and clients which is intimate, bright and creative.

Such companies declare that they would rather have high creative standards than succumb to the arthritis of international management disciplines.

Other managers feel that they would prefer to operate a solid, structured international network rather than try to outdo creative 'boutiques'.

Both viewpoints overlook the possibility of combining discipline and creativity in one organisation. This is because it is hard to do.

We have always tried to be consistent and single-minded about the type of company we wanted to build. We have never been believers in small operations which are dependent on the style of one or two top people, however outstanding those individuals may be.

On the other hand we have had no desire to create a giant – if that meant operating along the lines of some grey bureaucracy.

We have always aimed to create the one type of service organisation which so often eludes the grasp of those few men and women who have tried to achieve it – a large organisation, certainly, with all the stability that gives to employees, and all the back-up that provides for clients – but one which at the same time also succeeds in being progressive, youthful and innovative in approach.

*In the UK over the last five years as the Company's growth has accelerated, so apparently has its creative strength. We now win more major UK creative awards than ever before, more than any other agency, and more than the other multinational agencies put together. And worldwide, at the Cannes International Film Festival 1986 our agency won more awards than the next two major winners put together.*

In short, we believe that it is good to be big, it is better to be good, but it is best to be both. If we succeed in achieving this goal we will be sure of continued growth in all of our activities, and continued financial success.

Every year since becoming a public company in 1976, we have been able to state that the year to come will show a record performance by the Company. We are delighted to report that we anticipate that 1987 will be another record year, well up to expectations.

*For any further information about Saatchi & Saatchi Company PLC please contact the Company Secretary at 15 Lower Regent Street, London SW1Y 4LR or at 625 Madison Avenue, New York NY10022.*

SAATCHI & SAATCHI COMPANY

# THE ARTS

## Arts Week

| F | S | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |

## Theatre

NEW YORK

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**La Cage aux Folles** (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

**I'm Not Rappaport** (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

**Big River** (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

**The Mystery of Edwin Drood** (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

**Pump Boys and Dinettes** (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

**The Marriage of Betty & Boo** (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 23.

LONDON

**Les Liaisons Dangereuses** (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

**Misalliance** (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

**Lend Me a Tenor** (Globe): Ian Talbot leads the new cast in Ken Ludwig's fizzing comedy about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

**The Phantom of the Opera** (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

**Kafka's Dick** (Royal Court): Alan Bennett resurrects Kafka as a tortoise in the living room of a contemporary dogsbody researcher, an insurance clerk like his hero. Brave, strange and funny play about biography hinging, in part, on the enlarged matter of a small member. (730 1745/1857).

**Woman in Mind** (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

**When We Are Married** (Whitehall): Impeccable, joyous revival of an English comic war-horse now with a new cast, but Bill Fraser returning as the tipsy Falstaffian photographer. (930 7765, 839 4455, CC 379 6565/6433).

**Starlight Express** (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

NETHERLANDS

**Amsterdam**, Bellevue Theatre. English-Speaking Theatre of Amsterdam in Michael Frayn's Benefactors directed by Jill Shand (Tue to Thur). (247 268).

## Music

LONDON

**Philharmonia Orchestra** conducted by Gennadi Rozhdestvensky with Viktoria Postnikova, piano. Tchaikovsky, Borodin and Mussorgsky/Ravel. Royal Festival Hall (Mon).

**Stuttgart piano trio**: Mozart, Ravel and Schubert. Queen Elizabeth Hall (Mon).

**London Symphony Orchestra** conducted by Gary Bertini with Krystian Zimerman, piano, Liszt and Mahler. Royal Festival Hall (Tue).

**London Philharmonic** conducted by Edward Downes with Nigel Kennedy, violin. Delius, Elgar and Vaughan Williams. Royal Festival Hall (Wed).

**London Mozart Players** conducted by Jane Glover with Adrian Thompson, tenor. Mozart, Britten, Musgrave and Haydn. Queen Elizabeth Hall (Wed).

**Philharmonia Orchestra and Chorus** and Choir of Kings College, Cambridge conducted by Stephen Cleobury with Peter Knapp, baritone. Christmas programme. Royal Festival Hall (Thur).

**Hilliard Ensemble**: Christmas music. Queen Elizabeth Hall (Thur).

PARIS

**Margarita Zimmermann**, mezzo-soprano (Mon). Theatre Mogador (4874 5724).

Zubin Mehta, who this week conducts the New York Philharmonic Orchestra.

**Nouvel Orchestre Philharmonique** conducted by Philippe Bender (Mon). Salle Pleyel (4561 0630).

**Georges Cziffra**: Schubert, Chopin, Liszt (Mon). Comedie des Champs-Elysées (4504 1215).

**Grace Bumbry**, mezzosoprano, Jonathan Morris, piano: Brahms, Schumann, Johnson, Billups (Mon). Theatre de l'Athenee (4742 6727).

**Helge Antoni**, piano: Sinding, Chopin, Liszt (Mon). Salle Gaveau (4563 2030).

**Orchestre de Paris** conducted by Michel Plasson, Ivo Pogorelich, piano: Ravel, Tchaikovsky, Chausson (Wed, Thur). Salle Pleyel (4561 0630).

**Nouvel Orchestre Philharmonique** conducted by Michel Lasserre de Rozel and Maitrise Radio France: Gabriel Pierne – Les Enfants a Betlehem (Thur). Saint-Germain-des-Pres Church (4277 1863).

NEW YORK

**Merkin Hall** (Goodman House): Members of the Gainsborough String Quartet on original instruments. Malcolm Bilson director and pianoforte. All-Mozart programme (Mon); Arthur Balsam piano recital. CPE Bach, Mozart, Beethoven, Chopin, Brahms (Tue mat); Prism Orchestra. Robert Black conducting. William Thomas McKinley, Shostakovitch (Tue); The American Brass Quintet. Maurice Wright (world premiere), Brahms, David Sampson (world premiere), Anthony Plog, Osvaldo Lacerdo, Renaissance Canzoni (Wed); Judith Pearce, flute recital with Elizabeth Di Felice, piano. CPE Bach, Duncan Druce, Reicha, Roussel, Jonathan Harvey (Thur). 67th w. of Broadway (362 8719).

**New York Philharmonic** (Avery Fisher Hall): Zubin Mehta conducting. Maria Chiara soprano, Shirley Verrett mezzo-soprano, Luciano Pavarotti tenor, Matti Salminen bass with New York Choral Artists directed by Joseph Flummerfelt. Verdi (Thur). Lincoln Center (874 2424).

## Opera and Ballet

PARIS

**Die Drei Groschen Oper** in Giorgio Strehler's production and Ezio Frigerio's decor with Milva as Jenny. TMP-Châtelet (4233 4444).

**Wozzeck** alternates with Don Quichotte conducted by Georges Prêtre in the Venice Teatro la Fenice production with Hanna Schwarz as Dulcinea and Ruggero Raimondi in the title role. Paris Opéra (4266 5022).

**Robinson Crusoe** conducted by Michel Tabachnik in Robert Dhery's new production, co-produced with the Opéra Royal de Wallonie. Opéra Comique (4296 1220).

**Pudique Acide Extasis** in Mathilde Monnier's choreography to Kurt Weill's music followed by l'Esquisse Compagnie: Bouvier-Obadia. Théâtre de La Ville (4274 2277).

NETHERLANDS

**Ravel's L'Heure Espagnole and De Falla's Retablo de Maese Pedro** in a double bill from the Netherlands Opera. The Netherlands Philharmonic conducted by Kenneth Montgomery, with soloists Anne Howells, Hein Meins, Laurence Dale and Jean-Philippe Lafont. Mon in Amsterdam. Muziektheater (255 455), Wed in Scheveningen, Circus Theatre (55 88 00).

**Scheveningen**, Circus Theatre. Nederlands Dans Theater with Ballet Scenes (Van Manen/Stravinsky), Silent Cries (Kylian/Débussy), and Jardi Tancat (Duato). (Thur). (55 88 00).

Kiri Te Kanawa

**The Pilobolus Dance Theatre** on tour from America: Mon in Nijmegen, Schouwburg (22 11 00), Tue in Eindhoven, Schouwburg (11 11 22), Wed in Tilburg, Schouwburg (43 22 20), Thur in Amsterdam, Carré (225 225).

NEW YORK

**Metropolitan Opera** (Opera House): The week features the first seasonal performance of Fidelio conducted by Klaus Tennstedt in Otto Schenk's production with Hildegard Behrens and Robert Schunk. The repertoire includes Die Fledermaus conducted by Jeffrey Tate with Kiri Te Kanawa, Tatiana Troyanos and Otto Schenk in Otto Schenk's production; I Puritani conducted by Richard Bonynge in Sandro Sequi's production with Joan Sutherland, Salvatore Fisichella, Sherrill Milnes and Samuel Ramey; Romeo et Juliette conducted by Placido Domingo with Cecilia Gasdia; and Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo. Lincoln Center (362 6000).

**New York City Ballet** (New York State Theater): The company's 85th season continues with five weeks of The Nutcracker. Lincoln Center (870 5570).

**Next Wave Festival** (Brooklyn Academy of Music): Philip Glass and Robert Wilson's collaboration, the CIV-IL wars, is presented in the festival with the American premiere of Act V, (Rome Section). Ends Dec 30. (718 636 4100).

**Alvin Ailey American Dance Theater** (City Center): Modern dance, jazz, and ballet mix together in a repertory built around spirituals and other American music of different periods. The four-week season will include a world premiere choreographed by Ailey. Ends Dec 28 (55th St. e of 7th Av.). (581 7907).

Placido Domingo

CHICAGO

**Lyric Opera**: The company premiere of Janacek's Katya Kabanova sung in English features Ellen Shade in the title role with her lover Boris played by Dennis Bailey and oppressive uncle Dikoy by William Wildermann, conducted by Bruno Bartoletti in Virginio Puecher's production. Un Ballo in Maschera is conducted by Giuseppe Petane in Sonja Frisell's production with Maria Chiara and Luciano Pavarotti. Edita Gruberova takes the title role, and Neil Shicoff sings Edgardo in director Peter Reichenbach's production of Lucia di Lammermoor conducted by Charles Mackerras (332 2244).

## Exhibitions

TOKYO

**El Greco**: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

ITALY

**Venice**: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

PARIS

**Esteve**: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 116 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cezanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0924).

**Francois Boucher**: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour. *Boucher personified* the lighthearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

**Les Prix de Rome**: The exhibition consists of paintings which won the much-coveted stay in Rome for the laureats from 1797 to 1863. The uplifting subjects from mythology or the Bible, the noble sentiments, melodramatic gestures and perfect workmanship crowned in the prestigious yearly competition provide a unique panorama of French academic art. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, ends Dec 14. (4230 3457).

**Paris Abstrait, 1945-1955**: Magnelli's cut-out reminiscent of Braque, a powerful Hartung with his large black strokes against a beige background, Esteve's colourful puzzle and Mathieux's ink-black splotches and smears are glorying in their abstraction, except for de Stael, whose flowers in dense, dark colours are lit up by orange and mauve. Galerie Natalie Seroussi, 34 rue de Seine. Ends Dec 15. (4256 0924).

**Maitres Impressionistes et Modernes**: Pissaro's Woman with Geese, a country scene shimmering in gentle sunlight, a well-structured Boudin, a surprisingly poetical Gauguin, two Picassos and a Bonnard, Marquets, Utrillos and a Gris form a counterpoint to an unusually rich collection of sculptures. The perfection of Maillol's small bronzes rejoices the eye, *as do Lobo's harmonious* feminine shapes and the large composition by Laurens with Cubist overtones. Daniel Malingue gallery, 26 Ave Matignon (4266 6033). Ends Dec 22.

SPAIN

**Madrid**: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

**Barcelona**. Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Torner, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Ciutat 1. Ends Jan 20.

NETHERLANDS

**Amsterdam Historical Museum**. A collection of 19th-century French drawings and watercolours providing a cross-section of the styles and themes of the period, from the veneration of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Jan 4.

**Amsterdam**, Van Gogh Museum. Monet in Holland documents the Impressionist's visits to the country at three different stages in his career with 24 canvases painted in Zaandam, Amsterdam and the bulb fields, with related work by French and Dutch contemporaries. Fully illustrated English catalogue. Ends Jan 4.

**Rotterdam**, Rijksmuseum Land en Volkenkunde. In the Wake of the Liefde presents the intriguing story of cultural relations between Holland and Japan since 1600. Paintings, prints ceramics and furniture highlight the two centuries when the Dutch trading settlement at Deshima was the sole western outpost permitted by the shoguns. Ends Jan 4.

Continued on Page 17

# THE ARTS

## Cinema/Ann Totterdell

# Crotchety goblins and huggable monsters

**Labyrinth** directed by Jim Henson

**Malcolm** directed by Nadia Tass

**Kangaroo** directed by Tim Burstall

**The Passion of Remembrance** directed by Maureen Blackwood and Isaac Julien

**Real Genius** directed by Martha Coolidge

**Eat the Peach** directed by Peter Ormrod

Once upon a time, not so long ago, a reluctantly baby-sitting teenager impulsively wished her grizzling baby brother Toby could be taken away by the goblins. And he was. This pilfering sets adolescent Sarah in search of . . . what? Toto or Toby, a white rabbit or her own elusive sexuality? The fairy tale is a naturally self - perpetuating genre, so no matter that Terry Jones's script for *Labyrinth* borrows heavily from old favourites, the important element is that the film is the creation of a team led by puppet genius Jim Henson which has not only designed the fantasy characters but made living entities of the labyrinth and city Sarah must penetrate.

Crotchety goblins, huggable monsters and sentinels that out-Carroll Carroll, talking doors, a fantastic shaft of hands which propels Sarah up and down, wells that move, staircases inspired by Escher, all are so brilliantly conceived and realised that it is disappointing to see the energy lost in Henson's overall direction.

His work with humans cannot match his ability with the inanimate and any one of his creatures has more vitality than Jennifer Connolly as Sarah, as prettily perfect as a commercial for teen cream and looking a bit too old to be messing about with fairies. In spite of potentially better casting, David Bowie as the goblin king is too aloof, too androgynously costumed to be the sexual threat or promise he is supposed to represent. The assembling of the alien world and its inhabitants seems to have taken all the available fire, leaving a slow and sterile action.

*Though its technical attractions* will find it an audience (and incidentally it is too scary for the Sesame Street set) *Labyrinth* is not destined to become a classic.

While hardly a Jim Henson, the rather dozy hero of *Malcolm* an endearing film from Australia, has a talent for designing remote control toys.

When his decision to take in lodgers brings Frank and Judith, an ex-con and his girl, into his home, Malcolm slowly sees that his gift can be channelled into more profitable avenues than gadgetry for bringing in the mail or exercising the parrot. Director Nadia Tass provides much quiet enjoyment from the domestic juxtaposition of slow, innocent Malcolm, volatile wary Frank and brash, kind Judith which evolves from mutual suspicion into an unlikely team of bank robbers. The final hold up, performed by four remote-controlled giant ash trays, should ensure no-smoking zones in banks across the country.

Colin Friels gives an endearing performance as the socially immobile Malcolm who gains confidence from his new-found criminal aptitudes. It is intriguing to find him in the same week playing Richard Somers, *the pacifist, intellectual* D. H. Lawrence figure in *Kangaroo*.

Colin Friels and Hugh Keays-Byrne in "Kangaroo"

Depressed by England's treatment of his work and his German wife Harriet (Judy Davis), Somers turns to Australia as a young land free of bigotry and finds instead powerful undercurrents of Fascism and Socialism. As a persuasive writer of political philosophy he is courted by both sides, most ardently by the dubiously nicknamed Kangaroo, the fanatical leader of a secret fascist army. Somers suffers endless debates with himself, his wife and friends about his political attitudes and inability to make a commitment, and while *Kangaroo* ends with a violent physical confrontation between opposing factions, it is the only *real* action in a film of words and ideas.

Director Tim Burstall has used the spectacular Australian locations well to give an illusion of breathing space to the film's confinements, but it is still rather hard work, concentrating on the abstract at the expense of the more interesting theme of the Somers's marriage and Judy Davis's fine performance.

Sarah (Jennifer Connelly) and her friends, Sir Didymus, Ludo and Hoggle, in "Labyrinth"

Sounding more like a revived Armenian classic, *The Passion of Remembrance* is a combination of narrative and documentary relating the recent history of blacks in Britain to their present condition. Made with too much intensity but a remarkable lack of anger, the central character, Maggie, dwells on how internal conflicts and prejudices—sexism in particular—undermine black unity in a hostile white world. Sadly condemned by its limitations (political dialogue, video clips and minimal action) to an audience of the converted, this is a subject that needs to be aired in a much more accessible, cinematic way and there are certainly ideas here to be developed.

Accessibility is not a problem with *Real Genius*, yet another playful and expensive teen comedy. This time the usual premise of near drop-outs junketing their way through high school is turned on its head to give us instead a college full of precocious scientific geniuses, brilliant in their own field but being deficient in the maturity department, rather given to high I. Q. pranks like turning a hall of residence into a skating rink or wiring someone's teeth for sound.

Though the boy wonders — fifteen-year-old Mitch and eighteen-year-old Chris (agreeably played by Gabe Jarrett and Val Kilmer)—are clever enough to create a mega-power laser for their scheming professor, they are cheerfully oblivious of the fact that he is going to sell their ideas to the government *and even that their discovery* could be used for warfare. When the boys finally cotton on, they channel all their inventive power into sabotaging the project and exacting an elaborately adolescent revenge on their professor.

At least it is a relief to know, after the success of gung ho films like *Top Gun* (in which Val Kilmer also appeared), that there's still room for some peaceful anarchy.

In a week of crazy projects and obsessions, the curious ambition of the protagonists of *Eat the Peach* almost takes on a sane perspective. Vinnie and his brother-in-law Arthur are newly redundant Irishmen who spend too much time watching *Roustabout*, an old Elvis Presley bike movie, and become consumed with the idea of building their own wall of death in the middle of a huge bare Irish landscape. Resisting the scepticism of family and friends they use trial and error to erect the towering barrel-like edifice, taking time *off only to finance* it with the occasional smuggling expedition.

Apparently based on a true story, the film is written and directed by Peter Ormrod with a gentle, zany humour and has an irrepressible optimism that somehow invests the whole crazy enterprise with perfect and delightful logic.

## Shostakovich/Festival Hall

### Max Loppert

The main work of Wednesday's BBC Symphony concert under John Pritchard was the Eleventh Symphony (1957) of Shostakovich. Subtitled "The Year 1905," it falls into a genre to which he irregularly returned, and which has long been somewhat equivocally viewed in the West — the programme symphony. The Eleventh Symphony is in fact the first of a pair produced to capture in music the great pre-Revolutionary and Revolutionary flash-points of modern Russian times (the Twelfth, "The Year 1917," followed in 1962).

Ideological issues probably account in reasonably good part for the relative scarcity of hearings both receive here—in contrast to the "personal" symphonies on either side of them in the Shostakovich canon, the Tenth, Thirteenth, Fourteenth and Fifteenth, now constantly played and admired. But the main cause of the Eleventh's unjustified neglect must surely be the perennial discomforts listeners tend to experience when attempting to square supposedly abstract and pictorial concepts of music in the supposedly "pure" form of the symphony. For this reason, Wednesday's performance was especially welcome: the problem will not go away, but at least there was a chance to hear how much fine music Shostakovich was inspired to produce by his chosen subject.

Shostakovich himself is not reported to have felt any such formal discomfort: "I identify programmaticism with cogent content," he once said. Whether or not this can be allowed to hold good for all his programme symphonies, the Eleventh is certainly cogent: there is a balance between the episodes of vivid, picturesque realism and the long spans of contemplative stillness in which they are suspended. The work seems to be as much a reflection on matters raised by "The Year 1905" as about the actual events themselves; and the musical material in which reflection is depicted is composed out of Shostakovich's most economically eloquent substance — simple gestures, simple changes of harmony and colour that help to focus long paragraphs of musical time and space.

In this respect, Pritchard's reading was successful. As so often in his performances of big orchestral works, the obvious excitements were underplayed—to a fault, I felt, in the second movement, the massacre scene, which can be much more chillingly detailed and fiercely driven. But there was always a strong awareness of where the music was going: one felt this at the start, for though very little seems to happen in those slow opening pages, the sense of an unfolding canvas was surely sustained. The playing was on a high level—not super-virtuoso, but confident, solid and true in ensemble.

As prelude to this bleak, gripping experience, the BBC had the intelligent notion of placing the Prokofiev Second Piano Concerto, that glittering machine-age construction with an immense, turbulent piano part. Again, and in this case perhaps more seriously, the orchestral playing lacked incisiveness; but Dmitry Alexeyev ensured that cold, hard-edged brilliance was never missing at the work's centre. It is possible to find more smoke-filled poetry and humour in corners of the solo part (as, for instance, Ashkenazy has done); but hardly possible to hope for greater clarity or sharpness of cut (bar a few forgivable wrong-note flusters). After several erratic London appearances, Alexeyev's return to form was notably gratifying.

## Ceremony/Sadler's Wells

### Clement Crisp

To open the third and final programme of its present season London Contemporary Dance Theatre is giving the first London showing of Robert Cohan's *Ceremony*. With a subtitle—*Slow Dance on a Burial Ground* —owed to its score by Stephen Montague, it finds its culminating images in Cohan's observation in Peru of dried earth which had cracked and powdered to reveal the mummified remains of the long-dead.

Thus Cohan shows us Death (Charlotte Kirkpatrick) swathed in a vast cloak which both shelters and reveals the bodies of the five men of the cast. The vision is powerful, its realisation theatrically striking as the men rear up and then fall back into the enveloping folds of cloth. Prior to this sequence we have seen the men dancing, then mourned by a group of women, their choreography rather more staid and conventional.

*Ceremony* has good design by Norbeto Chiesa featuring two handsome ink-blotched panels. Its score is apt in suggesting dryness and faint Inca pipings. Its manner is dramatically valid, but I found only the well-shaped passages which surround the figure of Death clear in choreographic focus. The work is, though, danced with entire commitment.

With Jerome Robbins' *Moves* at the centre of the evening, we are faced with the intriguing possibilities of how bodies move in silence, how the choreographer may focus the dancers' and our attention on what part of the body is moved, and how, emotionally, that movement moves us. It is alertly done by its cast, respectful of its clever mechanics and its tiny gusts of drama.

The return of Robert North's *Troy Game* to the repertory ends the evening with a view of men as muscled poseurs. The macho posturing was kept under tight control on Wednesday night and the piece had a good-humoured air: LCDT's accomplished male contingent never allow the dance to seem self-indulgent. They tell its jokes with a nicely dead-pan air.

## Vienna Schubert Trio

### Richard Fairman

When Pfitzner was old and had lost all his possessions in the war, Reger's widow took pity of him and gave him a piano. *This last act of kindness* sums up the bond that had existed between the two men—a closeness that was put to good use by the Vienna Schubert Trio, who ended their short survey of the German late romantics at the Wigmore Hall on Wednesday by pairing piano trios by the two composers.

The shadow of the great classical composers falls long over this music. Reger once admitted that he was striving "to develop the style" of Bach, Beethoven and Brahms, but the comment might just as easily have been made by Pfitzner. Aspects of Brahms, in particular, are constantly echoed; the rhythms generate the same sort of strenuous activity and the piano parts are full of Brahmsian heavy chords and *double* octaves.

Of these two works, it was Reger's E minor Piano Trio Op 102 which calls for further performances in the future. To anyone who is familiar with the Reger of the academic organ pieces, much of this trio will have been as expected. A good deal of attention is paid to matters of structure, involving no less than three fully formed sonata movements out of the four, and there is the usual appearance of sober, carefully prepared counterpoint.

Yet a different world of Reger's imagination is also opened to view. The very opening bars of the work are soon shifting away into strange areas of harmony. And who would have credited Reger with a quirky, mercurial scherzo like this, which sounds uncannily as though it is dancing a *pas de deux* with Chaikovsky's sugar plum fairy? With a subdued, but beautifully sustained *largo* at its centre, this trio is well worth investigation by other groups.

The Vienna Schubert Trio played the score with a strong and passionate commitment. Indeed, the forceful projection of the pianist was perhaps too insistent in the Pfitzner — his Second Piano Trio in F major Op 8 — though that may well be a reflection of the music's continual turbulence in its outer movements. Neither of the works is often heard, and the chance to sample them together in idiomatic, confident performances made a very worthwhile end to the series.

### Quilley to leave "La Cage"

James Smillie is to take over from Denis Quilley to star opposite George Hearn in *La Cage aux Folles* as from January 12.

## Brighton Beach Memoirs/Aldwych

### Martin Hoyle

The National Theatre has crossed the river and gone west again. The meeting between subsidised and commercial theatre is a consummation devoutly to be wished, and on this page Michael Coveney made a case for Neil Simon being given the NT treatment when this autobiographical comedy opened at the Lyttelton last February. Simon's phenomenal Broadway success has never been repeated in London, which might be said to justify his inclusion in the National's repertory, a necessary example of important foreign theatre. Of course, one reason for the comparative failure of Simon plays in the West End could be that London has enough literate, intelligent and amusing commercial theatre of its own.

The cliché comparison is with Ayckbourn, who is greeted with similar reservations in America. Apart from proficient craftsmanship, both authors share a feeling for the quirky near-surrealism of the inadequacies of everyday speech. (Further education is praised with the words, "A diploma is forever. I know — I never had one.") Both touch a national, indeed local, chord: one with the wry, throwaway logic of New York Jewish humour, the other with the genteely throttled angst of middle-class English suburbia. Round the corner from *Brighton Beach's* new home, Ayckbourn's *Woman in Mind* is playing in the Strand. Here comparisons are almost irrelevant. . . The British playwright has a dark side, a thread of misanthropy and a vision of the world's cruelty to the weak (apparent to varying degrees in most of his work), while the American opts for comfortable reassurance. He is aided by the shrugging resilience of Jewish humour, accustomed, after all, to make light of the darkest circumstances; and, it must be admitted, by the dictates of that not yet extinct tyrant, the well-made play.

This is most apparent in the rickety structure of *Beach's* second act. In the first half 15-year-old Eugene introduces us to the family home in 1937. Overworked father, matriachal mother, widowed Aunt Blanche (good theatrical resonances to these names;) and her daughters. Stage-struck cousin Nora's creamy legs stampede our hero into puberty; his older brother nearly loses his job; the parents worry about marrying Blanche off and making ends meet. The household is faintly scatty and depicted with affection.

The second act degenerates into a sleekly tailored series of confrontations: neat, pat, slightly contrived. The play is occasionally very funny, but betrayed by a soft centre after an initial promise of grittiness.

The West End sees new casting in the roles of Kate, the mother, and her sister Blanche. As the latter, Dorothy Tutin is touchingly dumpy and myopic, despite an accent that roams; Susan Engel's matriarch is tall, handsome and frankly too classy; a virtuous Lady Macbeth, not quite in place in seedy-genteel New York. The show belongs to Steven Mackintosh's skinny and bespectacled Eugene. Owlishly observant, exuberant, wounded, wisecracking, he thrusts and parries at each surprise sprung on him by life. Carl Toms's splendidly evocative interior and Michael Rudman's direction make it an enjoyable experience; but fail to keep it in the memory.

*Alastair Muir*

Susan Engel and Dorothy Tutin

## Saleroom/Antony Thorncroft

# Record price for Jorn

The extraordinary prices paid for Impressionist and modern works of art rubbed off on to contemporary artists at Sotheby's yesterday. Its auction totalled £2,983,530, with only 10 per cent bought in, a good result for London, which takes a poor second place to New York in this market.

The top price was the £319,000 paid by dealer Leslie Waddington for "Il flute sur la bosse," by Dubuffet. A Scandinavian buyer established an artist's record of £170,500 for Asger Jorn, for a 1964 canvas entitled "Allegretto Furbo." Another record was the £110,000 paid for "Untitled," an abstract of what looks like a monster by Karel Appel.

Other high prices were the £107,800, from Waddington again, for "Les yeux gris," a 1958 oil by Dubuffet, and £101,200 paid by a Swiss dealer for "Eos IV," a sculpture made with steel and wood, a rubber belt and an electric motor, by Jean Tinguely.

Also at Sotheby's a proof set of 14 coins produced in 1839 for the young Queen Victoria sold for £26,400, while a gold pattern $4 of 1879 by Charles E. Barber was on target at £20,350. Among the illustrated books an extensive collection of around 20,000 modern bookplates, mostly of continental origin, realised £7,920 and another collection, this time of over 1,900 19th century decorative *finishing tools, all with wooden* handles and in excellent condition, sold for £7,700, well below forecast.

Perhaps the most interesting lot sold at Christie's was the oldest bottle of Chateau D'Yquem ever offered by the saleroom. It dates from 1784, when it was bought by Thomas Jefferson, while American Ambassador in Paris. A bottle of the same vintage was opened in 1985 and pronounced excellent. This one more than doubled its forecast selling for £39,600 to an American private collector.

In the modern print auction at Christie's, an important 1914 lithograph by the German expressionist Kirchner, "Promenade vor dem Cafe," just topped its estimate at £55,000, to the Chicago dealer, Alice Adams, while "The judgement of Chloe" by Chagall did quite well at £27,500 to Russeck, a Philadelphia dealer. A disappointment was the £20,900, half the estimate, paid for a Red Wedge poster by el Lissitsky. This is regarded as the rarest and most important of the Revolutionary posters produced in Russia around the time of the Revolution. Another example had made £34,560 at Christie's in June.

A Paul Cezanne lithograph of "The Bathers" made £19,800, and three lots each sold for £18,700—a Gauguin, a Gericault, and another Chagall.

The French furniture auction at Christie's totalled £903,650, with 14 per cent unsold. A pair of Louis XIV tapestries from the set of four depicting the elements, woven to the designs of Charles Audran the Younger at the Royal Tapestry in 1699, sold for £77,000, double the estimate. They represent Jupiter, or fire and Neptune, or water.

An ormolu six light chandelier of Louis XIV design quadrupled its forecast at £60,500.

### £4.5m grant to university

To mark their golden wedding Sir Robert and Lady Sainsbury, the Trustees of the Robert and Lisa Sainsbury Art Trust, are making a grant of £4.5m to the University of East Anglia.

The grant will be divided into two parts: one half will be used to fund a Sainsbury Unit for non-Western Art Studies, accommodated in the Sainsbury Centre for Visual Arts and part of the University's School of Art History and Music. The other half will be added to the Sainsbury Centre Endowment Fund, income from which is used for upkeep and improvement of the Centre.

# Arts Week

**Continued from Page 16**

## Opera and Ballet

#### VIENNA

**Staatsoper:** Salome conducted by Hollreiser with Dernesch, Jones, Slania; Werther conducted by Davis with Baltsa, Lind, Hensrud-Kerian, Carreras; Don Giovanni conducted by Hager with Gruberova, Alexander, Schumann, Prey; Die Walküre conducted by Schneider with Beppel, Martin, Hesse. (51 444/26 55).

**Volksoper:** Polenblut; Hansel and Gretel; Das Land des Lächelns conducted by Bauer-Theussl; Der Opernball conducted by Boncompagni (51 444/26 57).

#### LONDON

**Royal Opera,** Covent Garden: Handel's Samson, in the production by Elijah Moshinsky that received a rather unhappy first showing in the Handel centenary year, returns with a fine Handel conductor, Roger Norrington, and cast (Robert Tear, Carol Vaness, Sarah Walker, Gwynne Howell). Further performances of the Zauberflöte revival, with Siegfried Jerusalem as Tamino; final showing of the new Jenufa production, an evening of immense theatrical power in spite of all the exaggerations in Yury Lyubimov's production.

**English National Opera,** Coliseum: the perennial Fledermaus comes back to mark the festive season, this time with Valerie Masterson and Lillian Watson in the cast and Herbert Prikopa as conductor. Also in repertory: Cav and Pag in Ian Judge's lively new production, and David Pountney's new Carmen staging, conducted by Mark Elder.

## Music

#### NETHERLANDS

**Rotterdam,** De Doelen. James Conlon conducting the Rotterdam Philharmonic, with Yung Uk Kim, violin: Verdi, Bruch, Rachmaninov (Tue to Thur). (414 29 11).

**Utrecht,** Vredenburg. Hartmut Haenchen conducting the Netherlands Philharmonic, with the Netherlands Opera Choir and soloists: Schubert, Bruckner (Wed). Recital Hall: The Mondrian and Gijsbrecht van Aemstel quartets, with Stanley Hoogland, piano, and Marjanne Kweksilber, soprano: Milhaud (Wed). Schubert lieder sung by Udo Reinemann, baritone, accompanied by Rudolf Jansen (Thur). (31 45 44).

**Amsterdam,** Meervaart. The Orlando Quartet: Beethoven (Wed). (10 73 93).

#### VIENNA

**Concentus Vocalis** and Vienna Bach soloists conducted by Ernst Wedam. Bach B minor mass. Musikverein (Mon).

**ORF Symphony Orchestra** conducted by Martin Sieghart with Freda McNair, soprano, Wolfgang Schulz, flute, Robert Lehrbaumer, organ. Eder. Konzerthaus (Tue).

**Chamber Orchestra of Europe** conducted by Claudio Abbado with Viktoria Mullova, violin. Vivaldi, Mozart. Konzerthaus (Wed).

#### BRUSSELS

**Palais des Beaux Arts:** Jean Paul Rampal, flute and John Steele Ritter, piano. Weber, Schubert (Wed). (512 50 43).

**Musee Instrumentale:** François Fernandez, violin, Philippe Pierlot, viola da gamba, Pierre Hantai, harpsicord. Couperin, Leclair, Marais (Wed). (511 35 95).

## Exhibitions

#### BRUSSELS

**Ingres and Delacroix** – Drawings and Watercolours – Palais des Beaux Arts. Ends Dec 21.

**Chinese Porcelain** – the Transitional Period. Musée Royale d'Art et Histoire. Ends Dec 14.

#### NEW YORK

**Metropolitan Museum:** 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

#### CHICAGO

**Chicago Historical Society:** Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

**Art Institute:** The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French king Henry II's armour borrowed from Hever Castle. Ends Mar 1.

#### WEST GERMANY

**Tübingen,** Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

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Friday December 5 1986

# Rebuff of the Natal option

AS THE crisis in South Africa deepens it appears that President P. W. Botha has retreated from tentative steps towards reform into a reaffirmation of white rule. The latest indication of this attitude is the confused response by the Government to a proposal to create a multi-racial administration, elected by adult suffrage, for the local government of Natal and the so-called homeland of Kwazulu.

The prime mover behind the proposals for Natal is Chief Mangosothu Buthelezi, leader of the country's 6m Zulus (25 per cent of South Africa's black population), and chief minister of Kwazulu. Although he denounces apartheid and has refused to accept Pretoria's version of independence for Kwazulu, he opposes both violence and economic sanctions as ways of ending white rule.

### *Single unit*

As far back as 1980 Chief Buthelezi began the groundwork that led this year to a multi-racial "indaba," which met to discuss a constitution for the joint local government of Natal and Kwazulu.

After eight months of discussion, the majority of delegates agreed on a two chamber legislature, elected by universal adult franchise, for the administration of Natal and Kwazulu as a single unit. Among the most important provisions are a bill of rights and measures designed to protect the white, Indian and Coloured (mixed race) minorities in the province.

The proposals deserve to be treated by the Government as an important contribution towards the creation of a just society in South Africa. Indeed, the South African Government is obliged to take the proposals seriously if its professed commitment to an egalitarian society is to be treated as anything other than a sham. Instead, Mr Stoffel Botha, Minister of Home Affairs, who is also leader of the National Party in Natal, immediately rejected them, on the grounds that they would lead to black domination of Natal. The Government, he said, sought "effective and equal power sharing" between the races—a phrase which in the coded vocabulary of South African politics smacks of white rule.

### *Blinkered response*

According to the South African Ambassador in London, Mr Botha was not speaking for the Government. This disavowal should come from President Botha himself, for the consequences ofthe spurning of Chief Buthelezi and the proposals could be farreaching.

It may lead Chief Buthelezi to conclude that his hopes for a negotiated settlement in South Africa are a pipedream — a stand already taken by the African National Congress and the United Democratic Front (UDF), the powerful anti-apartheid coalition, both of whom boycotted the Natal indaba. It rules out the Zulu leader's participation in the National Statutory Council, designed to be the government forum for constitution making. No black leader of substance has agreed to participate, and Government's blinkered response so far to the Natal experiment makes it all but certain that none will.

The South African Government now appears to have spurned efforts both from outside and within the country to break the political deadlock and end the country's spiralling violence. It is not too late for President Botha to look sympathetically at what Chief Buthelezi is offering. But if he fails to build on this opportunity he should not be surprised if his intransigence exacerbates the South African tragedy.

# Misjudgment of Solomon

MR NICHOLAS RIDLEY, Britain's Environment Secretary, deserves no applause at all for his decision to reshuffle the rate support grant yet again; but he does deserve some sympathy. He has taken what amounts to a purely political decision in response to the partly misguided wails of some very rich local authorities, and done it by largely immobilising a mechanism designed to produce fairer results; but while it is easy to point out what he has done wrong, it is much harder to define what would have been right. He is running a system which poses dilemmas which would test a Solomon, and not even Mr Ridley's warmest admirers would put him quite on that level.

Central government cannot escape getting involved with local government for two reasons, both concerned with fairness. First, as long as Parliament lays down statutory duties, it has to provide part of the finance; and since regional disparities in available income are very large, the system has to be partly redistributive to support a uniform standard of services. These are the two needs served by the block grant system, which is designed to support the cost of services on a scale reflecting local needs and resources.

Even in this straightforward system there are obvious practical difficulties in assessing needs and measuring resources, and one concealed dilemma of real national importance: as in personal matters, fairness is the enemy of incentive. The equalisation rules now in force are so strong that most councils have no incentive at all to encourage development which would increase their tax base, since growing resources simply mean lost grant. Since every proposed development offends someone, the net result is that local bureaucracies tend to obstruct development.

### *More complicated*

In the last seven years, Mrs Thatcher's Government has made the whole problem far more complicated by adding two further objectives; it has sought to shift part of the burden from central to local finances in the name of tax cutting (or rather tax shifting); and it has sought to control what local authorities spend out of their own resources.

The reasons are partly ideological — the general aim of cutting public spending — and partly to reinforce the very weak discipline exercised by local ratepayers. It is weak because business ratepayers, who foot a large part of the bill, have no significant vote, while the poorer among the ratepayers who can vote do not pay. Cuts in central government support have intensified this problem.

The whole system might have been designed to produce conflict. First, the equalisation system, together with the cuts and subsidies designed to produce discipline (over-spending means reduced grant) are based on a formula which ensures that any change in grant resulting from economy or over-spending per head has the same impact on local rate poundages.

This is fair, but it does mean that rich authorities, where a penny on the rate produces a large sum, lose much more in cash terms if their entitlement falls than a poor authority. The sum looks even more exaggerated when measured as a percentage of grant (except in those few authorities so rich that they get no grant in the first place). The result is that every adjustment from economy produces protest from the rich shires; that is no reason for giving way.

### *Radical plans*

However, the struggle has produced much greater evils than an occasional squabble over the grant, or even the chaos produced in local budgeting by last-minute changes of heart. It has provoked frustrated ministers into administrative action which have been challenged successfully in the courts, so that policy is now haunted by the dread of litigation. It has also pushed some of the more irresponsible councils into a search for legal loopholes which would disguise their true spending to escape Whitehall penalties, and pushed some of them frighteningly into debt.

The Government now has some radical plans to change the rules. A uniform business rate, which would be pooled and redistributed, will mean that councils cannot support local extravagance because they happen to include much commerce; and the plans to make everyone pay some rates under the Social Security Bill, or a new community charge, as now proposed for Scotland, are designed to produce votes for economy, as well as helping industry in some depressed regions.

However, reliance on real voting ratepayers, and especially under the regressive community charge, will make future fights over grant far more intense, and true, demonstrable fairness still more important. There is some evidence that the system for assessing needs requires overhaul (even Tory inner city authorities find themselves constrained to overspend). A more generous needs assessment, combined with a shade less levelling (which would give some incentive for development, and reflect lower costs in the regions) might help Mr Ridley to be a more convincing Solomon—but only if he stands up to the grumbles any change will provoke.

GENERAL MOTORS

# Wall Street votes with its feet

By Anatole Kaletsky in New York

● H. Ross Perot

Roger Smith ●

SOME THINGS are still unthinkable, even in the fantasyland that today's Wall Street has become. But after the humiliating payment of over $700m to Mr H. Ross Perot by the embattled management of General Motors, another extraordinary idea has passed from the realm of the impossible to the merely implausible.

Nobody can yet take seriously the possibility that the world's largest industrial corporation might one day fall victim to a takeover or be dismembered by some corporate raider — but after witnessing the company pay $700m merely to buy the silence of one persistent critic, intimations of GM's mortality are becoming harder to disregard.

The depth of disenchantment with GM's management on Wall Street can be gauged most obviously by the dismay expressed by analysts and investment managements at the decision to buy back the cantankerous Mr Perot's 0.8 per cent shareholding in the company, remove him from the board — and, most bizarre of all, require him to sign a legal undertaking not to engage in further public criticisms of GM policy.

There is, however, a more objective indicator of GM's unpopularity on Wall Street—the company's share price performance.

Despite the trumpeted $4bn profits achieved in 1984 and 1985—GM's shares have languished between $55 and $85 for nearly five years now. For anyone unfortunate enough to buy GM in 1966, when the stock price peaked at nearly $114, today's level of $71 represents a capital loss of more than 33 per cent. And this is over a period when Wall Street as a whole has more than doubled and the share price of Ford, the second largest US car maker, has risen almost threefold.

How has the world's largest car maker come to such a sorry pass?

The recent collapse in GM's reputation is easy enough to understand. The buy-out of Mr Perot was only the last link in a chain of highly publicised embarrassments. A steady attrition in the company's market share, combined with perennially over-optimistic production schedules and the poor public reception of several new models earlier this year forced GM into an unprecedented binge of cut-price financing and rebates. The desperate bid to clear stocks in October worked, but only at the cost of a horrific third-quarter operating loss of $338m.

Within a week of the third-quarter results, the company announced a wave of plant closures and redundancies designed to cut capacity by some 10 per cent. Even more humiliatingly, Mr Smith announced two weeks later than he was scaling down the much-vaunted Saturn project, a technological and managerial showpiece which was to embody the futuristic approaches to car design, industrial relations and manufacturing processes intended to guarantee GM's prosperity into the 21st century.

Against a background like this Mr Perot's increasingly vociferous attacks on the company's indecisive management style, its over-padded cost structure and its board-room complacency, were bound to rattle the directors and strike a resonant chord with shareholders.

Yet in reality, it is by no means clear that Mr Perot or GM's many other critics have an effective prescription for the company's malaise.

For almost all the changes Mr Perot was demanding—improved communication with dealers, customers and workers, more streamlined and decentralised decisionmaking, a more selective and cost-conscious attitude to new investment—were very much in line with GM's own official policies since Mr Roger Smith took over as chairman in January 1981.

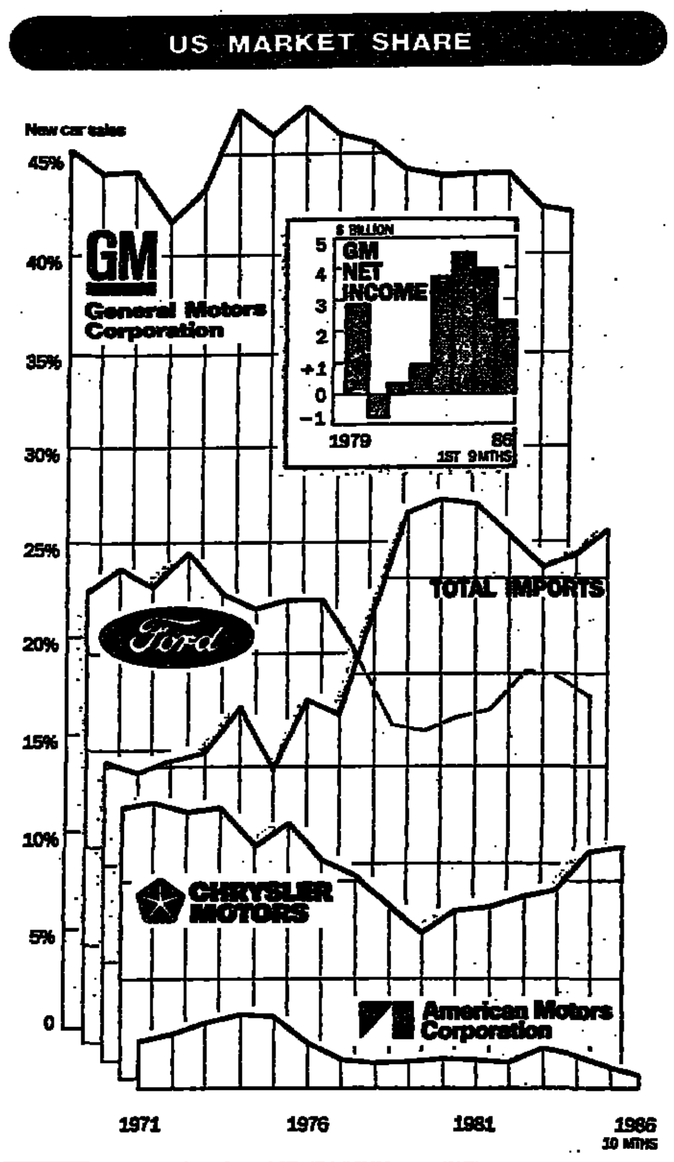
One of his early actions, Mr Smith says, was to address a normally festive meeting of GM's top 1,000 managers with the words: "For Crissakes, when you leave here you better go home and tell the people we're up to our ass in trouble and we've got to start doing things differently."

He may not have put these sentiments into action with enough alacrity to satisfy Mr Perot, but given the inertia inevitable in an organisation with world-wide employment of 800,000 people, Mr Smith has to his credit a number of considerable reforms.

Under Mr Smith, GM invested heavily in modernisation—spending some $40bn, including depreciation, on new equipment in the last five years and buying in technological know-how with the acquisitions of EDS (Mr Perot's company) and Hughes Aircraft.

He attempted to ginger up production management and industrial relations throughout his empire by launching two huge demonstration projects—the high-technology Saturn compact car plan and the new United Motor Manufacturing Inc (Nummi) joint venture with Toyota, which produces the sub-compact Nova model.

Most controversially of all for the GM hierarchy, Mr Smith abolished the independent fiefdoms which managed separately each of the US group's five component car marques — Chevrolet, Pontiac, Buick, Oldsmobile and Cadillac — and reorganised all design, manufacturing and marketing operations into just two units — Chevrolet Pontiac GM Canada (CPC) to make and sell smaller cars, and Buick Oldsmobile Cadillac (BOC) to handle the larger models. Soon afterwards, he announced plans to cut the group's ever-*proliferating model range from* 200 to 136 and to reduce by a quarter the 130,000-strong white-collar bureaucracy created by GM's byzantine corporate structure.




Brana Radovic

It can be argued — and it has been by GM's Wall Street critics —that GM has spent too heavily on automation and hi-tech acquisitions.

Apart from the actual capital costs involved, the acquisitions of EDS and Hughes Aircraft have generated few useful synergies for the core car-manufacturing operation. Meanwhile, the huge capital-spending programme has introduced a dangerous inflexibility into the company's financial structure. As one analyst put it: "Workers can be laid off, but robots can't." This means that GM is much more heavily committed to maintaining sales volumes and defending its market share *against all-comers*, at a time when Ford and Chrysler have notched up record profits, despite declining volumes, by cutting thetir break-even points to the bone.

A related criticism, raised with devastating effect by Mr Perot, was that the preoccupation wtih mechanisation distracted attention from far more important issues like better marketing, product design and labour relations.

"Brains and wit will beat capital 10 times out of 10," says Mr Perot. The example most often cited is the relatively low-tech Nummi joint venture with Toyota, where strikes are unheard of, workers operate on the Japanese team system and productivity is almost double that *of the* average GM factory, while the reliability of the modest Novas is the highest in the company's whole model range.

Such examples do not in themselves justify the short-sighted view of some Wall Street pundits that the company would have done better to pay out its recent record profits in dividends, instead of spending its money on automation.

However, the questionable effectiveness of GM's investment binge does, perhaps, point to the heart of the company's dilemmas. GM's present problems are a mirror-image of its former glories.

Unlike Ford and Chrysler, GM was strong enough to stand and fight against the hordes of foreign invaders which swept into the US car market from the mid-1970s onwards. Although the recent loss of market share—from 46 per cent in 1980 to 42 per cent *so* far this year—is widely regarded as the most damning evidence of GM's failures, a longer time horizon shows that the company has, in fact, defended its market share more successfully than any of its competitors. It has lost a mere 3 per cent of the US car market since 1971, against Ford's loss of 5.5 per cent.

GM's determination—and its financial ability—to protect its market position by "buying market share" through credit subsidies and price cutting has been the major cause of its disappointing profits performance in the past two years. This stand-and-fight mentality also explains the company's gargantuan investment programme, which stands on the assumption that GM will go on building indefinitely at least two out of every five cars sold in the US.

Similarly, GM's very size and power obviated some of the other painful measures which have sliced both fat and flesh out of the other big US car makers. Most obviously GM has not been forced to impose on its labour force the kind of large give-backs of wages and benefits seen at Chrysler.

On the marketing side, the size and power of GM's dealer network — the envy of every other motor manufacturer in the world — has proved an organisational impediment. The fact that Chevrolet dealers want to be able to go on selling large cars and Oldsmobile dealers expect to sell compacts does not help with the streamlining of the model range.

None of these problems appears insoluble, given sufficient dynamism in GM's boardroom.

However, even if labour costs were cut, vertical integration reversed and bureaucracy trimmed, a more important issue would remain to haunt GM's future. Can GM design, as well as build, the kind of cars American consumers want?

Both in its model mix and in its individual car designs, GM appears to have lost touch with history and the desires of the American driver. Far more than any other manufacturer, it has tied its corporate destiny to the traditional American car — the lumbering, over-sized, heavily-padded eight-cylinder dynosaurs which were always GM's glory, but which have been threatened not only by higher oil prices and congestion on the roads, but even more importantly by the changing taste of the American public. Large and intermediate cars account for 63 per cent of GM's output, against 49 per cent at Ford and 36 per cent at Chrysler, according to Salomon Brothers.

In spite of the fact that the market for large cars enjoyed a brief revival two years ago, it is the large cars which have caused the greatest problems recently with excessive inventories and confronted GM with the bitter choice between instituting costly clearance sales or tolerating a decline in market share.

To make matters worse, the models which GM has produced in each size category have failed to capture the public's imagination. In the luxury cars, Cadillac has lost ground to the glamorous and technically sophisticated European manufacturers; in the middle of the market Ford's Taurus, based on the European Sierra, has swept all GM's cars before it. While at the cheap end of the market, only the Toyota-designed Nova has held its own against cheap and reliable competitors from Japan and Korea.

It has been in its inability to respond to the changing demands of the market that GM's notoriously cumbersome decision-making structure seems to have done the greatest damage. Design changes are still notoriously slow and in their styling and performance GM's US cars continue to lag not only behind the foreign *competition*, but also behind the company's own successful European models.

The old belief that what is good for General Motors is good for America still dies hard in Detroit, and it remans to be seen whether GM can learn to build the cars American consumers want to buy instead of selling the cars that GM wants to build.

Despite the setbacks of the last few months, GM management still seems to have the patience to wait for its designers, engineers and workers to come up with products that can stand up profitably against the competition. But whether GM's shareholders will show the same perseverance is now an *open question*.

## Beltway bloodletting

There is, believe it or not, a lighter side to the Iran arms scandal which has shaken President Reagan and his Administration. A local radio station in Washington is now running a contest for the best catch-all phrase to describe the affair.

Among the names proposed by listeners are Northgate (after the sacked White House aide, Lt Col Oliver North), Iranscam (after the Abscam scandal), Contradeception (a play on the Contra connection in the arms deals) and Gippergate (a play on Reagan's nickname of the "Gipper" and Watergate).

Reagan, himself, has introduced new language to capture the essence of the scandal. Rounding on the press for its shark-like behaviour, he described it as "Beltway bloodletting." For those unfamiliar with Washington's highways, the Beltway is the road running around the capital. Hence, matters which preoccupy merely the press and Congress are called "Beltway issues." The new phrase now seems to be a catch-all for attacks on the President.

My favourite phrase was coined by a local TV critic who *said that the arms scandal* could be Reagan's "Gipperdammerung."

## Labour in vain

I know the Labour Party is taking its fund-raising seriously these days, with profits from sales of tastefully-designed hip-flasks, stationery and teddy bears supplementing more traditional contributions from the comrades.

But I fear that the enthusiasm of the new publicity supremos in Walworth Road has now got out of hand. A letter from Neil Kinnock asking the recipient to support Labour's election campaign has just landed on the doormat of the Chancellor of the Exchequer. Addressed to Mr N. Lawson, 11 Downing Street, London, SW1, the letter begins "Dear Supporter" before asking him to consider becoming a sponsor of the Labour Party.

Lawson, I am told, does not know quite how to reply beyond saying that he has a prior commitment. He could, though, fol*low up Kinnock's suggestion to* pass on the letter to a friend or neighbour. I suspect that the *occupant of No 10 would* be happy to frame a suitable reply.

# Men and Matters

"Actually I'm not MI5 old boy —I'm a publisher"

## Sewn up

A tired but elated Geoffrey Maddrell admitted yesterday that he hardly remembered what home was like.

Last week the Tootal chief executive spent two days showing a party of visitors round his new £7m dyehouse outside Glasgow. Then he was off to Chattanooga, in the Carolinas, to put the finishing touches to a deal with Standard-Coosa-Thatcher that makes the Manchester-based group the largest pro*ducer of industrial threads* in the US.

Back in London for talks with advisers Morgan Grenfell, he was just in time to be able to make an 8 am announcement to the Stock Exchange yesterday.

"It's a marvellous deal" he says. "The US was something of a weakness for us. Now we are right out there in front. The people involved were super. They really burned the lights all night during this week. We had to get the deal sewn up this week because yesterday morning was the last day, for technical reasons, we could go to the government broker this year. And the Americans wanted it completed before the end of the year for tax reasons.

"We gave them a deadline of 3 am New York time yesterday in order to go to the stock exchange in London at 8 am. Their lawyers came through with the deal just a couple of *minutes before the deadline*."

The hustle completes a hectic year for Maddrell. He joined Tootal from Bowater in February, and since then has brought Clover Leaf, Sandhurst Marketing, and now SCT into the Tootal group.

For the moment, he admits, the takeover trail has come to an end. "Now we've got to make these deals work. We've got to show results in next year's figures."

## Back room boys

Business writer Carol Kennedy decided that the best way to write a new history of ICI was to pick up her reporter's notebook and get on the road.

She has brought to life the stories of the great inventions and discoveries that have come out of the ICI laboratories since the 1930s by tracking down many of the men who worked on them, and are now in well-earned retirement.

Her book. ICI—The Company That Changed Our Lives, published yesterday by Hutchinson at £12.95, is a strongly independent view of ICI's scientific achievements. Nonetheless, its publication is neatly timed to coincide with the group's diamond jubilee, and chairman Sir John Harvey-Jones was at the London launching party to give it his blessing.

Her subjects read like a roll-call of British industrial and scientific achievement: Sir Michael Perrin and Sir Peter Allen, who were closely associated with the development of polythene; Dr Charles Suckling who invented Halothene, a new type of anaesthetic still widely used; Professor Sir James Black who discovered a new way of treating heart conditions; Dr William Boon who invented paraquat a new type of weed-killer that became known as the "chemical plough"; and Rex Whinfield who invented Terylene while at Calico Printers' Association and saw it developed by ICI.

The youngest of Kennedy's heroes still living is now in his late 50s, and the oldest are in their 80s. They did not get royalties on their work as staffmen — and apparently preferred things to be organised that way. Had they done so, many of them would be multi-millionaires today.

## Health warning

Our Beirut correspondent, on a recent visit to the US, decided the time had come to buy a bullet-proof vest before returning to the Lebanon.

Opening the package containing the rather smart slim-fitting flak jacket, she was disconcerted by a little red label on the back which carried the warning: "Second Chance."

**Observer**

POLITICS TODAY

# The spy case that never ends

By Malcolm Rutherford

DR DAVID OWEN, the leader of the Social Democratic Party, was probably right when he said in the House of Commons on Wednesday that the British public is enjoying the spy-book case in Australia. It is such a good story that only a dullard could resist its fascination. No-one can tell what will happen next.

One of the most remarkable facets is the capacity of the British Government, just when it seems to have been unhorsed, to ride again. Indeed it now seems possible that the Government will emerge with some credit for determination, even if eventually it loses the case. Its electoral standing may be unimpaired, perhaps enhanced.

Only two realms of great danger remain. The first is the charge of incompetence. This relates, in particular, to the role, or possibly the non-role, of Sir Michael Havers, the Attorney-General. There is a grey area here of some size. It really is extraordinary that Sir Robert Armstrong, the Cabinet Secretary, should have had to retract his statement in the Australian court that the decision not to move against Mr Chapman Pincher's book, Their Trade is Treachery, in 1981 was taken on Sir Michael's advice. Sir Robert, to put it mildly, was carelessly briefed.

That is not all. If action had been taken against Mr Pincher's book in the knowledge that Mr Peter Wright, the former member of the Security Service, was a principal source, it is likely that none of the present drama would be taking place. Action might also have been taken against the Granada television programme, prominently featuring Mr Wright, which was shown in 1984 and repeated on Wednesday. It was not. Thus it seems that the British Government was exceedingly slow to put its act together and is deserving of some of the ridicule being heaped upon it.

The other possible danger to the Government is that something very nasty could come out of Lord Rothschild's apparent involvement in the affair. After a period of silence, Lord Rothschild had a letter in the Daily Telegraph yesterday, appealing to the Director-General of MI5 for a public statement that the agency has "unequivocal evidence" that he (Rothschild) is not and has never been a Soviet agent.

The letter made no mention and perhaps, because Lord Rothschild is bound by the Official Secrets Act, could make no mention of the widespread suggestions that it was he who brought Mr Pincher and Mr Wright together in the first place to produce Their Trade is Treachery and paid Mr Wright's return fare from Australia. It is very odd that the suggestions go on being repeated without being denied. If they are proved to be true, Lord Rothschild will have some explaining to do. And if the British Government were found in any way to have put him up to it, the consequences would of course be quite devastating.

There is also, when read carefully, something odd about Mr Pincher's book. It has won its reputation for alleging that Sir Roger Hollis, the now deceased head of MI5, was a Soviet spy. In fact, the claim is never made outright and there are some passages which can be read as showing that Sir Roger behaved perfectly correctly. Anyone who watched Mr Wright in the repeat of the Granada TV programme may have further wondered whether even he made anything like a cast-iron case against Sir Roger.

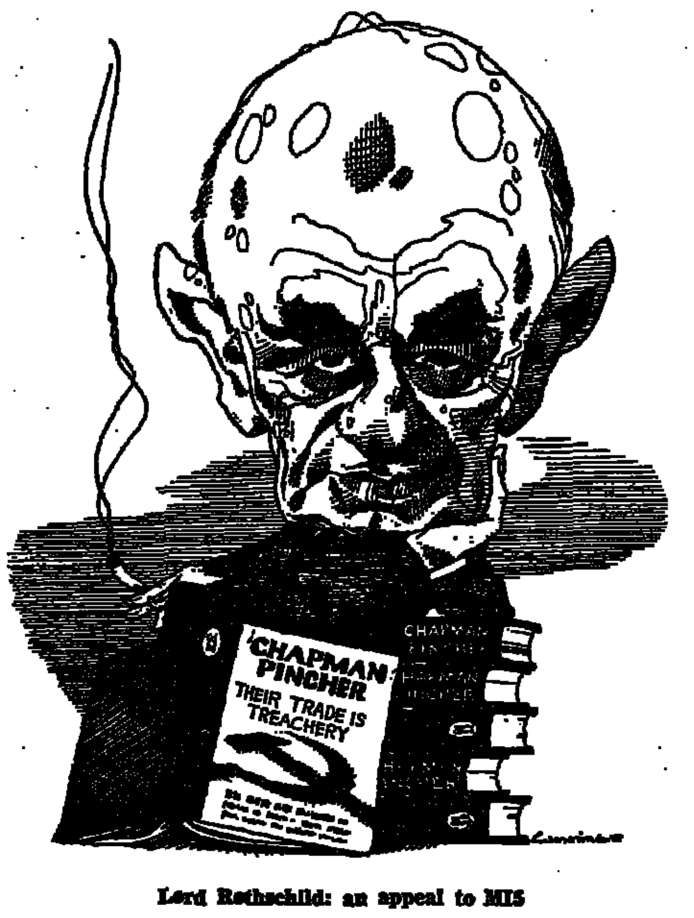
It is worth remembering that Mr Roy Jenkins, who was Home Secretary at the time of the inquiry into Hollis, believed—and believes—that there is a strong probability of his innocence. The same view is taken by Mrs Thatcher. Neither Mr Jenkins nor the Prime Minister has a vested interest in a cover-up. If they thought that he was guilty, they would lose nothing by saying so.

So it is hard not to conclude that someone wanted to keep the Hollis story going, possibly because it is such a good tale, perhaps to keep the fire from other suspects and—in the case of Mr Wright—to vindicate his conviction, as the investigating officer, that Sir Roger was a spy.

Enough of speculation, however. The real issue, as I wrote last week, is very simple. It is that the principle of life-long confidentiality among members of the Security and Secret Services must be upheld. The Government had no choice but to fight the case, even if it loses in the end.

It has far from lost yet. It would be surprising, for instance, if when Mr Wright is in the witness box, he turns out not have signed some sort of contract of service committing himself to the confidentiality that he now renounces. That alone should be sufficient to settle the matter against him in a British court. If it is judged to be an inadequate reason in Australia, the British Government will still have shown how far it is prepared to fight, and one would not rule out further court action against Mr Wright.

The interesting question is how it is all going down at home. In spite of the incompetence and the elements of farce, it seems to me that the Government is not doing too badly. For if you set the entertainment value to one side and ask people seriously: "Do we need a security service?" and if the answer to that question is "Yes," then it follows logically and by definition that the service must be secure and therefore secret.




Lord Rothschild: an appeal to MI5

The only way of avoiding going down that logical path is to say that we do not need a security service in the first place, and no one in the House of Commons debate on Wednesday was prepared to argue that.

Indeed, it may even be easier to make the case for a security service today than it was (say) a decade ago. It is not as if everyone believes that MI5 is in business only to protect nuclear secrets and to snoop on students who may lean towards the Campaign for Nuclear Disarmament. There is a degree of terrorism in our society, much of it imported from abroad, which there used not to be. Whether it comes from Ireland or the Middle East makes no difference. A security service is one of the means of combating it, sometimes even of pre-empting it.

Thus the question comes down to how the service should be run and how it should be supervised. That was the serious part of Wednesday's debate.

Dr Owen made the old case for a Parliamentary Select Committee in new form. It would include Members of both Houses: Commons and Lords. There would be former members of the armed forces, some of whom already sit in the Lords. All would have to be Privy Councillors (people under a special oath of secrecy and allegiance), but it would be possible for suitable candidates to be made Privy Councillors in order to serve on the Committee. The chairman would be someone not, or no longer, in the front line of party politics: perhaps a former Prime Minister.

It is an intriguing idea and shows how serious and patriotic Dr Owen can be. In this he has differentiated himself from the Labour Party which has tended to concentrate on the Wright affair rather than the general principle of how to manage a security service. Yet it would not, I think, work, for the reasons given by Mr Douglas Hurd, the Home Secretary.

These are, broadly, that there has to be an inside and an outside. "There is bound to be a barrier of secrecy," he said, "between the Security Service and the general public . . . A review body has to be on one side of that barrier or another. If it is inside, it can certainly probe and monitor . . . but then it cannot communicate its findings convincingly to those who remain outside. If, on the other hand, the review body is outside the barrier looking in, then of course it will have great difficulty in satisfying itself that it is able to carry out its task because it will not have access to the material which most people would judge to be necessary if it was to carry out that task successfully."

That was the main thrust of the Home Secretary's argument. It did not go down especially well as a speech, but it is quite difficult to reject the Hurd thinking outright.

My own view is that the role of the Security Commission should be strengthened. This is an *ad hoc* body that has been in existence for over 20 years and which can investigate and report upon any failures in security arrangements and advise whether changes are necessary or desirable. But it does *not* attempt to provide a continuous monitoring of the Security Service. Perhaps it should be encouraged to do a little more of that. Meanwhile we should come back to the matter, as Mr Hurd has promised, after the heat of the Wright affair has died down. It is thoroughly healthy that the subject has been aired.

There is obviously drama still in store. Mrs Thatcher repeated four times at Question Time yesterday that Lord Rothschild's letter to the Telegraph was "being considered in government," but would say no more. I took that as a sign of prudence rather than suspicion, a desire to examine all the relevant facts before issuing the public statement that Lord Rothschild is seeking. Indeed, it would have been amazing if he had been able to secure such a statement within a few hours of his letter being published. But, in these matters, one can never be sure.

There is also still a great deal of fun. No one who heard Mr Jenkins's speech in Wednesday's debate will ever forget it. On Mrs Thatcher, for example: "Do not get too close to this Prime Minister. She is an upas-tree." (Mr Jenkins has an unmistakable way of pronouncing upas.) "The branches may be splendid, but contact may be deadly." Or on a former Prime Minister, Lord Wilson, "with his too persistent record of maintaining Britain's imperial commitments across the world, his over-loyal lieutenancy to Lyndon Johnson, his fervent royalism, his light ideological luggage." How could anyone, he asked, not themselves unhinged, possibly have thought that such a man was a communist agent?

Finally on the Attorney-General who has twice felt constrained to blow a whistle, once during the Westland affair and again during the Wright case. "When he has done so, on both occasions everybody has stood transfixed, as though the last trump has been sounded in some allegorical painting by Blake and, for the moment, stopped doing the apparently dreadful things that they had been doing a moment before."

The last trump is a long way off.

## Lombard

# First points to Pilkington

By Christopher Lorenz

A COMPANY in one corner of the globe invents a remarkable widget. It develops it to the widget, or process for making point of commercialisation. How should it then exploit the innovation: license it out to companies abroad, or try to conquer the world on its own?

The dilemma is a classic one which innovative companies have had to confront ever since the early days of the Industrial Revolution. The correct course of action depends on a wide range of considerations, notably the financial and marketing muscle of the company at home and abroad, and its political strength *vis-a-vis* international competitors.

When, 25 years ago, Pilkington Brothers reached the point of decision over its now famous "float" process of making glass, it opted mainly for licensing, though it also steadily built up its own float plants in available foreign markets, such as Canada, Australia and Sweden.

Its strategy of licensing to much of the world — notably the US, Japan and Continental Europe — has brought it over £400m of royalties since the early 1960s, and has helped it finance its own expansion in the UK and elsewhere.

But BTR, the British conglomerate which is now mounting a hostile takeover bid for Pilkington, alleges that licensing was a mistake.

BTR's criticism is irrelevant to its bid; the current management was not in charge when the decision was made. It is also wrong.

Over the past decade and more, Pilkington has steadily turned itself into the world's largest glassmaker. But at the time the licensing decision was taken it was a second-league player, very much smaller than the two American and two European majors in the field.

To have declared war on all of them, plus the world's other glassmakers, would have been downright suicidal on political grounds alone. For one thing, Pilkington would have been frozen out of the then collegial world glass industry, and would never have been offered the opportunity it was given six years ago to break into the tough West German market by buying the local leader, Flachglas. Nor, probably, would it have been on the right terms with America's number two, Libbey-Owens-Ford, to be able to buy out its glass division earlier this year.

On commercial and financial grounds, too, a refusal to license would have been more than stupid. A "go-it-alone" policy would have meant the construction of a monumentally expensive network of manufacturing plants and distribution channels all round the world — a task that, even today, is beyond all but the largest multinationals, and sometimes even them.

Pilkington would either have bankrupted itself in the process, or would have taken too long and therefore been subject to the compulsory licensing or anti-trust procedures which countries can apply to patent-holders who fail to "work" their technology themselves, or to license them voluntarily.

A salutary example of the "go-it-alone" school was provided only a few years ago by EMI, inventor of the computerised tomography (CT) scanner, whose mismanagement helped end EMI's independent existence; after an ignominious takeover, it is now part of Thorn-EMI.

EMI's early success in scanners was foreshortened by a whole raft of mistakes. As thousands of business school students have since been taught, one was to take on the US market single-handed, in a full frontal attack on the giants of the X-ray industry, notably US General Electric. Their response, in the form of competitive products which evaded EMI's patents, was vicious and devastatingly fast.

Sometimes, as in pharmaceuticals, past licensing to powerful competitors, especially in the US, does now appear misguided. But this is with hindsight: at the time such deals were made, the European innovator usually lacked the necessary distribution system in the countries in question.

Since glass, unlike pharmaceuticals, cannot be flown across the world in jumbo jets, Pilkington needed that, and a network of local factories besides. It had neither. Things would be very different if it invented float today. But history is history. Disinterring it, as BTR may find, can harm one's credibility.

# Letters to the Editor

## Why Europe needs Hotol

*From Mr P. McClory*

Sir, — Peter Marsh (November 28) puts forward the argument that because British Rail failed to develop a new tilt mechanism for trains, therefore it is "Boys Own" fantasy to suppose that Britain could successfully develop Hotol without the intermediate step of first developing the French-sponsored Hermes Euro-shuttle.

Apart from the inexplicable thought process that could conjure up such a connection, it is sad that such articles are still written by respected opinion-formers in Britain. Mr Marsh displays an ignorance about the implications for Europe of following his suggested course that is breathtaking.

If Britain does not lead the development of Hotol now, it would be best to forget the project entirely and concentrate on opening yet more pizza and hamburger outlets! Mr Marsh gives the impression that a similar project to Hotol is also being "studied" in the US. Nothing could be further from the truth.

Over the past year I have had the privilege of visiting the Pratt & Whitney design centre in West Palm Beach and, from conversations there along with what I have read in US periodicals, the position of the US aerospace plane project is as follows. In April this year the national aerospace plane program (funded by Nasa and the US Dept of Defense) awarded contracts worth $450m to some of America's largest aerospace contractors to develop the nation's first hypersonic plane. Designated the X-30, it will be about the size of a DC-9 and is expected to reach speeds of 18,000 mph, enough to take it into orbit around the earth. The X-30 is actually expected to fly by 1993 — seven years from now. So much for "studies"!

New air-breathing engines will carry the X-30 (which, like Hotol, will take off and land from normal runways) to 200,000 feet and then conventional rocket engines will take the aerospace plane into orbit. To achieve this goal numerous technology companies across America are working flat out to develop new materials, airframes and propulsion systems. It is envisaged that when fully operational the X-30 will be able to place payloads in orbit at a tenth of the cost of the present shuttle programme.

If the X-30 proves what its designers hope for, the next hypersonic plane to be developed will be the so-called "Orient Express." These will be hydrogen-fuelled civil airliners crossing the earth at speeds of up to 10,000 mph and carrying 500 passengers. The Orient Express will travel from New York to London in one hour and from London to Sydney in two!

For Europe to become (let alone remain) a force in the space business during the remainder of this century is has to develop its aerospace industries along similar lines. America is developing the X-30 for one reason — to deliver payloads in space with ease and economy. In Europe the only project we have that could deliver the same objectives is Hotol.

If we now develop Hermes (which itself involves the hideously expensive transformation of the Ariane-5 to take men and women aloft) at a time when the end of the present American shuttle programme is in sight, we shall be achieving nothing but building up the French aerospace industry at the expense of a truly European opportunity to create a world-class space industry which will be competitive well into the 21st century.

Anybody else out there for Hotol?

Paul G. McClory.
*Abbeywest Securities,*
*39, Bennerly Rd, SW11.*

## Controlling credit

*From the Financial Director, Jensen Cars*

Sir,—As financial director of a small private company, with some practical experience of credit control, may I add to the debate on late payments?

It has been said that small companies do not set realistic credit limits, that their terms of business are not adequate, and that they do not monitor and control outstanding accounts effectively.

The credit limit of a blue-chip plc is likely to exceed the entire turnover of most small companies. Terms of business are only relevant if you are prepared to sue on them, and for most small companies this would simply lose them business, not to mention delaying payment still further.

The implication in the suggestion that small companies should seek to control their outstanding accounts is that they should refuse to supply an order if the customer already owes money, or has a history of poor payments. The situation has a logical contradiction, however. To decline the order from a large plc will simply result in losing the business, so the only reason to refuse the order is to avoid incurring a bad debt, but when there is no chance of the customer going out of business the only sensible decision is to fulfil the order.

There are practical difficulties in monitoring outstanding accounts. If a small company owes me money, I would telephone the gaffer and within a minute or two I would know if the hold-up was due to poor quality, non-delivery, etc, or just plain cash flow problems. With a large plc I would be put through to a purchase ledger clerk who would not even know if the goods had arrived, and who would tell me that he cannot possibly pay the account without all the relevant documents. His superior will undoubtedly be in a meeting and the goods received department will be on a different number, or at a separate company. Letters go unanswered of course.

Typically, the small company is caught between a large customer on the one hand which cynically withholds payment for 90 days, and on the other the large supplier who withholds supplies if his account is more than 10 days' overdue. The small company gets paid eventually, of course, and remains profitable. But his cash flow is up the Swanee.

There is no doubt that most small companies could improve their credit control procedures, but what is scandalous is that they should not be paid on time after supplying goods in accordance with an order, issuing an invoice and supplying a statement.

C. Rudd,
*Kelvin Way, West Bromwich, West Midlands.*

## BTR's bid for Pilkington

*From Sylvia Brown*

Sir,—I can well understand the anxiety expressed by Mr T. Woosey (November 26) concerning BTR's bid for Pilkingtons—it is a perfectly natural response of a loyal employee and caring citizen to a situation which is unwelcome.

As a long-serving employee of BTR Silvertown, however, I can assure Mr Woosey that he has nothing at all to fear. I have worked at BTR Silvertown at Burton-on-Trent for 13 years and have seen the development of the BTR Group under Sir Owen Green's leadership. The company in Burton currently supports many local charities ranging from the Mayor's appeal, local hospice and Dr Barnado's to mention just a few. It sponsors a local football league and a citizen of the month award aimed at recognising outstanding civic contribution. The company has excellent links with local schools—encourages open day visits, and supports career conventions. The company also takes an active role in the local Chamber of Commerce. We have a thriving sports and social club providing excellent facilities for employees and local residents, and a very active retirement association.

I can also speak from personal experience of BTR's attitude towards its employees. When I suffered a stroke some years ago I was given every encouragement through my illness and on return to work the company provided me with all necessary facilities to perform my job, including the incentive of extra responsibilities.

Sylvia Brown.
*2 Watery Lane,*
*Scropton, Derbyshire.*

## Chaos in pensions

*From Mr H. Wynne-Griffith*

Sir,—Pension mortgages are a marketing gimmick introduced by insurance companies to promote the sale of pensions products. If pension fund contributions are directed into the repayment of mortgages, then at the point of retirement there may well be a house, but there will be very little pension—you cannot have your cake and eat it. The suggestion in Eric Short's article (November 28) that personal pensions may be mortgaged in the same way to purchase a house, suggests that the Government is now prepared to allow employees to buy houses instead of taking State pensions. This surely cannot have been the intention.

Furthermore, it creates a significant incentive for employees to come out of their company pension scheme simply to take out a pensions mortgage. The Inland Revenue will not currently permit a company pension scheme to lend money to an individual member for house purchase.

I find it very disappointing indeed that the opportunities presented to the Government to create some form of order out of the chaos which currently exists—and the even greater chaos that is to exist in future—have been totally ignored. What is even more disturbing is that I get the distinct impression that the reason these opportunities are ignored is nothing to do with politics, it is simply that those in power—be they politicians or civil servants—do not understand the implications of some of the decisions that they make. Despite all the protestations of professional experts the politicians continue to wade into deeper and deeper water, creating greater and greater waves to the ultimate detriment of all.

H. R. Wynne-Griffith,
*3 Dulwich Wood Avenue, SE19.*

FINANCIAL TIMES

Friday December 5 1986



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THATCHER RESISTS CALLS TO CLEAR LORD ROTHSCHILD OF ESPIONAGE CLAIM

# New twist in British spy drama

BY MICHAEL CASSELL IN LONDON

THE BRITISH Prime Minister yesterday resisted calls from both sides of the House of Commons to clear Lord Rothschild, the former head of the Downing Street "Think Tank," of allegations that he had been a Soviet agent.

Mrs Margaret Thatcher told MPs that she had seen the letter from Lord Rothschild, published in yesterday's Daily Telegraph newspaper, in which he referred to inuendoes in the press and called for his name to be cleared. She said it was being considered in government but she could say nothing further "at this stage."

Her response brought immediate condemnation from opposition MPs. Mr Roy Hattersley Labour's deputy leader repeatedly challenged the Prime Minister to make a statement which cleared Lord Rothschild, of ever having been a spy. He claimed her failure to do so would cause personal anguish for Lord Rothschild, and damage to the British security services.

It was not clear last night how long Mrs Thatcher intends to maintain her silence. She is almost certainly already in possession of an "MI5 dossier" on Lord Rothschild upon which she could base a statement. But there is clear ministerial concern that a decision to say anything could make it more difficult for the premier to maintain her steadfast refusal to comment on any aspect of the current spy book court proceedings in Australia.

One senior minister last night implied that the Government might not feel able to make any move to clear Lord Rothschild, until the case was resolved. But with Conservative backbenchers already joining in calls for Lord Rothschild's reputation to be cleared, the Prime Minister faces mounting pressure to act without delay.

Later Mr Hattersley said he was astonished that Mrs Thatcher had not cleared Lord Rothschild, and claimed she had a duty to return to the House and make a very early statement. He pointed out that in 1981 she had established a precedent by stating that charges of spying levelled at Sir Roger Hollis, the former head of MI5, were not proven.

In a reference to the 1981 decision not to prevent publication of a book on the security services by Mr Chapman Pincher, Mr Hattersley claimed the Prime Minister had created her own present difficulties by previously intervening "to use the law for her own political convenience." She could not leave Lord Rothschild in an invidious position so as to protect herself from answering awkward questions about the Australian court case, he said.

The opposition also claimed yesterday that Mrs Thatcher had retreated over threats to deprive Mr Neil Kinnock, the Labour Party leader, currently in the US, of access to security information in reprisal for making contact with Australian lawyers opposing the Government.

The British Government yesterday won leave to appeal against the New South Wales Supreme Court's decision to hand edited papers over to lawyers representing Mr Peter Wright, a former MI5 officer.

# Maputo to seek help in fight against 'bandits'

By Anthony Robinson in Maputo

MOZAMBIQUE will continue to honour the 1984 Nkomati Accord with South Africa but will draw on military and other support from both East and West and the non-aligned world to step up the fight against "armed bandits," President Joaquim Chissano declared yesterday.

Addressing the first international press conference since his election last month as successor to President Samora Machel, killed in an air crash on South African soil in October, Mr Chissano offered South Africa "peace and good neighbourliness" but added that Mozambique was not prepared to concede either its sovereignty or independence.

He hinted at wide-ranging economic reforms to be introduced in coming months which would concentrate on raising agricultural production.

This, he said, would be an essential part of a co-ordinated political, economic, diplomatic as well as military offensive against "armed bandits" of the Mozambican National Resistance (MNR).

He confirmed that the MNR was active in all 10 provinces and that the situation was particularly bad in Zambezia province bordering Malawi.

He called on Malawi to "get off the fence" and participate in the struggle to get rid of armed bandits, not by offering military assistance like Zimbabwe and other non-aligned countries but by preventing its soil being used as a springboard for MNR attacks.

He repeated accusations that South Africa was continuing to supply and assist the MNR with helicopters, airdrops and other means but otherwise maintained a firm but conciliatory line towards South Africa.

He reaffirmed Mozambique's "moral, political and diplomatic support for the African National Congress (ANC) but refuted South African claims that it harboured ANC guerrilla units.

Mozambique would honour the Nkomati Accord and not allow the ANC to use its territory for violent actions against South Africa. But, he added, it was not Mozambique but apartheid which lay at the root of destabilisation in the region.

Mr Chissano thanked the international community for the sympathy which Mozambique had received after Mr Machel's death and noted that Western countries also now "agreed on the need to help Mozambique militarily as well as economically." He added: "We hope to see the results of this help from East and West as well as the non-aligned countries within a short time."

THE LEX COLUMN

# A container for Euroferries

The horrors of Houston property have been threatening to engulf European Ferries ever since the oil price fell apart. The inevitable has duly occurred, with the threat of a balance sheet blow-out forcing Euroferries into the arms of P&O with every sign of relief.

Euroferries' dependence on taking property realisation profits out of its developments in Houston, Denver, and Atlanta had made for a bumpy ride even before the profits failed to arrive at all, this year.

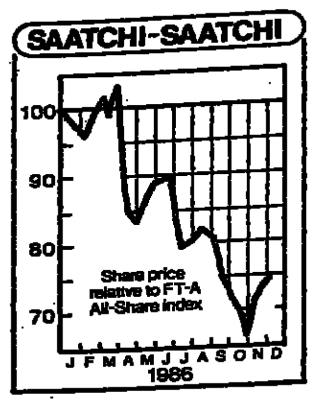
Add a strike-torn year in the core Channel businesses, and Euroferries was ripe for plucking as soon as the monopolies commission gave a clearance to the 20 per cent holding that P&O already possessed.

The deal makes perfect sense for P & O, which can afford to swallow the US property losses, and take a more relaxed view about the future of the Sun-belt investments than might have been possible for Euroferries' bankers.

The linkages between P&O's container operations and Euroferries' handling facilities, and between the P&O road transport business and the ferries could scarcely be more natural.

The construction of a tunnel under the Channel can scarcely be good news for the combined operation, in the very long term. But then, there is a lot of cash to come out of the Channel ferries before 1993.

## Saatchi & Saatchi




Since the traumatic reception of its rights issue and the equally bruising effect of the account losses which followed the acquisition of Ted Bates, Saatchi & Saatchi's share price has been rolling up and down in mid-Atlantic.

At 668p, down 2p on yesterday's excellent figures, the shares have floated nearly half way back to the ex-rights level; at the recent rate of recovery, from the depths below 600p, they may even bob up to the surface in time for the anniversary of the ill-starred rights.

If so, the recovery will probably be more a function of the increased US interest in Saatchi shares than of the progress which the group is making in its operations. London institutions may be won over in the end but have remained strangely impervious to the charms of world-scale advertising. Indeed, Saatchi's earnings growth has been well up to par, at 21 per cent, and normal internally generated growth has already replaced the accounts lost after Bates. Expansion into the consultancy field is already mapped out. Yet the shares are still at a discount multiple.

## Hanson Trust

Yesterday's press release from Hanson Trust did not actually announce a new takeover. But the message with the preliminary results was clear; although it is in the middle of a little $200m deal, Hanson is ready for another big one. The talk about cash of £3.56bn and the exciting opportunities that cash opens up are reminiscent of last year, when the Imperial bid came the day after the figures.

In fact the cash figure is somewhat spurious; net of borrowings and calling the convertible debt, cash is about £400m. But gearing up on shareholder's fund of £1.59bn, or even £2.66bn if the convertible is counted as equity, would finance quite a sizable deal, especially if there were – as with SCM and Imperial – quick sales to be made.

Another bid, naturally not financed by shares, should be just what the market wants from Hanson – so long as the target looks ready for a quick strip. About £130m of the rise in operating profits from £257m to £420m came from acquisitions, figures which exclude any profits from the bits that were bought and sold. That suggests the progress by the rest was around 13 per cent. Hardly awe-inspiring, and many of the older parts saw flat or even falling profits.

That reinforces the argument that Hanson's skills are best spent in doing the corporate equivalent of bought deals – buying in bulk and making a turn on the distribution. In that case the rating, of about 11 times prospective earnings with the shares at 191p, might simply be a reflection of low quality in these broking-type earnings.

## Bass

The market has dealt harshly with the Bass share price over the last few weeks, but even so it was perverse to drop the shares a further 6p to 713p after Bass reported annual pre-tax profits up 22 per cent at £310m.

If anything, the figure was better than many had anticipated. Admittedly Bass has taken an unexpected extraordinary write-off to account for the diminution in the value of its UK holiday camp business, but a deficit of £53m is small beer compared with the £700m surplus over book value thrown up by revaluation of group properties.

Over the year as a whole Bass has probably just maintained its share of the beer market. But given the disruption to supplies at the beginning of the year, in the wake of the Runcorn brewery dispute, it is clear that the underlying pattern is one of continued growth in market share; Bass has been increasing market share through the pubs, rather than by chasing business through the lower margin off-trade.

That same premier position in the tied trade has meant that Bass's shares have been particularly hard hit by the reference of the tie to the Monopolies Commission. But even supposing that changes are eventually wrought in the system, it will not be Bass which suffers most.

As the UK company with the most impressive brand range, Bass could positively benefit from a brewers' Big Bang. If Bass can grind its way past £350m pre-tax this year, the shares are on a multiple of only 10.5. The discount to the market seems most inappropriate, given the positive outlook for consumer spending.

# Crisis in floater market deepens

By Clare Pearson in London

THE CRISIS in the floating rate note (FRN) sector of the Eurobond market deepened yesterday with many dealers saying they would abandon making firm prices in perpetual issues.

Dealers are facing substantial potential losses on perpetuals – which have no final maturity date – following massive price falls in recent days as institutional investors have shunned them.

Yesterday, the sector showed scattered signs of stabilising after yet another sharp price drop of up to one percentage point at the opening of business. Later in the day, prices of some issues – notably those of UK clearing banks for which perpetuals have been an important source of capital – had risen from their lows.

The episode has highlighted divisions between large and small Eurobond firms and underlined the problems faced by the market as a whole because of tough competition to manage new issues, which has caused too much paper to be brought on terms unattractive to investors.

For the second day running, representatives of about 40 firms held an emergency meeting yesterday morning after trading in perpetual bonds failed to revive despite the previous day's agreement to reduce minimum dealing sizes and widen the spreads between bid and offered prices.

Mr Tom Beacham of Wood Gundy, a prominent figure in the Association of International Bond Dealers, who chaired yesterday's meeting, said: "What we're trying to do is to get people to pick up their telephones again and re-establish some kind of dialogue."

Many dealers who attended the second meeting said that, instead of quoting firm prices at which they would be committed to deal, they would merely indicate prices for a temporary period up to about the new year. This was intended to stem nervousness and help liquidity to return.

Details, Page 24

# Bullion banks consider sharing control of London Gold Market

BY STEFAN WAGSTYL IN LONDON

THE FIVE bullion banks which have run the London gold market since 1919 are considering sharing their control with other gold trading companies.

The Bank of England is understood to support changes to make the market more democratic, at a time when other financial institutions are also reforming traditional practices in the City Revolution.

The proposals come after a number of overseas banks and trading companies have built up gold trading operations in London to rival the traditional bullion banks. Some of these have been pressing strongly, if discreetly, for a say of the management of the gold market.

However, there is no sign that the five will invite new companies to take part in the fix, the twice-daily pricing meetings which are held around a table at N.M. Rothschild, the merchant bank. The fix is at the heart of the London market, but an important proportion of the business does take place outside it.

The regulatory changes are being discussed in the context of the British Government's Financial Services Bill, which is currently before parliament. Under the proposals, the supervision of the wholesale financial markets – that is money, foreign exchange and bullion (silver and gold) – is to be carried out by the Bank of England – as it is now. However, in order to formalise the arrangements, the Government wants these markets to establish their own representative bodies.

The gold market's 53 associate members now have no formal say in its administration. Apart from jewellers, refiners and small-scale dealers, they include a number of large overseas banks and trading companies whose gold market-making activities rival those of the five members of the fix.

They include Morgan Guaranty, J. Aron (a subsidiary of Goldman Sachs), Phibro-Salomon, and Shearson Lehman Brothers (owned by American Express) from the US, the Bank of Nova Scotia from Canada and the Swiss bank Credit Suisse.

The market's five members – N.M. Rothschild, Samuel Montagu, Mocatta and Goldsmid, Sharps, Pixley and Mase Westpac (formerly Johnson Matthey Bankers) – have resisted calls for change in the past. But they clearly now feel that the Bank of England will insist that the London gold market liberalises its rules along with other City markets. Moreover, they are aware that powerful foreign banks and traders cannot be excluded indefinitely from formal representation in the market.

Analysis, Page 36

# Row grows on Palme murder hunt

BY KEVIN DONE IN STOCKHOLM

STOCKHOLM police chief Mr Hans Holmer, who has led the fruitless nine-month hunt for the assassin of Mr Olof Palme, the former Swedish Prime Minister, was called in by the Government yesterday to brief opposition party leaders about the state of the murder investigation, as criticism of the police conduct of the case mounts.

Unrest within the Stockholm police force has grown amid reports that a group of 12 detectives had been taken off the case following leaks to the press.

Disquiet over Mr Holmer's leadership of the hunt was further fuelled yesterday when Mr Bengt Hamdahl, Swedish Chancellor of Justice, published a report claiming that Mr Holmer had failed on several occasions to show "a necessary will to co-operate" with the previous chief prosecutor assigned to the investigation, Mr K. G. Svensson.

Mr Svensson resigned from the case in dramatic circumstances earlier this year. He claimed that a 33-year-old man held for several days on suspicion of involvement in the assassination had had his rights seriously violated by the police.

He charged that his position as prosecutor had been compromised by the police leading the investigation, and complained of interference in his work by the Justice Ministry.

The report from the Chancellor of Justice yesterday rejected the claim that the suspect had suffered any violation of his rights, but he did accuse the police of "negligence" in the way they had conducted identity tests with eye-witnesses.

He said the problems of co-operation between the police and the chief prosecutor were obvious. "The conflicts seemed above all to have arisen from personal antagonism," said Mr Hamdahl.

Mr Holmer refused to comment on the Justice Chancellor's report yesterday following his meeting with Mr Ingvar Carlsson, the Prime Minister, and opposition party leaders. But Mr Svensson, who resigned from the Palme case in May, said it was "teeming with inaccuracies."

Comment from the Swedish press has become increasingly negative about Mr Holmer's conduct of the case, as his early optimism about finding the killer has proved unfounded. A steady stream of speculative rumours seeking to explain the assassination have surfaced as Mr Holmer himself has refused for several months to comment publicly on the progress of the investigation.

# Cut back in applications for St Gobain

Continued from Page 1

France has taken 20,000 orders averaging 87 shares per order.

The pace has slowed slightly in the last days of the campaign, which closes at the weekend, but Crédit Lyonnais said yesterday that applications were still coming in at a rate of 12,000 a day. Overall, senior bankers estimate that individual applications could reach 2m, double what the Government had hoped for.

# US hopeful on chip pact with Japan

BY LOUISE KEHOE IN SAN FRANCISCO

THE JAPANESE Ministry of International Trade and Industry (Miti) has vowed to force Japanese semiconductor manufacturers to raise their prices in Europe and Asia, according to US trade officials.

The officials said the Japanese made their pledge during the latest round of talks in Washington yesterday on the controversial US-Japanese semiconductor trade agreement.

The US Commerce Department expressed "cautious optimism" after the talks that the Japanese Government would fully implement the trade pact by bringing an end to dumping of memory chips in third-country markets.

The US officials said Miti would monitor all Japanese memory chip exports and had warned Japanese firms to comply with the agreement. "Now we must wait and see" if Miti's actions would successfully resolve the dumping problems, they added. A further round of consultative meetings has been tentatively scheduled for January.

The US semi-conductor industry, which had hoped for sterner action by the US Government, is growing increasingly impatient. The Semiconductor Industry Association (SIA), an influential trade group representing the major US chipmakers, said: "While it is reassuring that Miti has expressed its commitment to the trade agreement, the Japanese Government has expressed such commitment before, and we have yet to see any evidence that dumping has stopped."

According to US memory-chip manufacturers there has been no increase in Japanese chip prices in Europe and Asia over the past two weeks.

The SIA meanwhile vowed to enlist the support of the US Congress, the entire US electronics industry, and US semiconductor manufacturers. It said it would proceed with plans to draw up sanctions that it says should be immediately imposed on Japanese companies that "have or will violate the agreement."

"We assume that the US Government is preparing a similar list of sanctions," the SIA said.

However, US trade officials said yesterday that no decision had yet been made on what action the US Government would take if Japanese companies continued to dump chips. Miti officials were, however, told at the Washington meeting that if the agreement did not work it would represent a serious problem, with serious consequences, according to US officials.

# White House spokesman resigns

Continued from Page 1

bi-partisan committee which will open hearings when the 100th Congress convenes on January 6.

The Senate select committee will be comprised of six Democrats and five Republicans reflecting the Democratic majority in the US Senate following last month's mid term elections.

Senior congressional leaders have been jockeying for positions on the bi-partisan committee. The coveted job of chairman has yet to be named, Sen Byrd has warned that the chairman is likely to become as big a national celebrity as Sen Sam Ervin, the South Carolina Democrat who chaired the Watergate committee.

Revelations about the arms sales to Iran and the US Government's involvement in supplying weapons to the Contras – when direct military aid was banned by Congress – continued to surface in the US press yesterday.

According to the New York Times, the same aircraft and crews that were contracted by the State Department to carry non-lethal humanitarian aid to the Contras were used at other times to supply them with weapons.

Quoting people who allegedly took part in the covert operations, the New York Times said aircraft which took the non-lethal supplies from the US to Honduras and El Salvador were unloaded in those countries and then refilled with weapons from Europe. The arms were then flown to rebel camps just outside Nicaragua.

The Central Intelligence Agency issued a rare public denial of news reports that it handled Iranian arms sales profits through a Swiss bank account also used for funnelling money to anti-Marxist rebels in Afghanistan.

# World Weather

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Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Insurance court ruling

Continued from Page 1

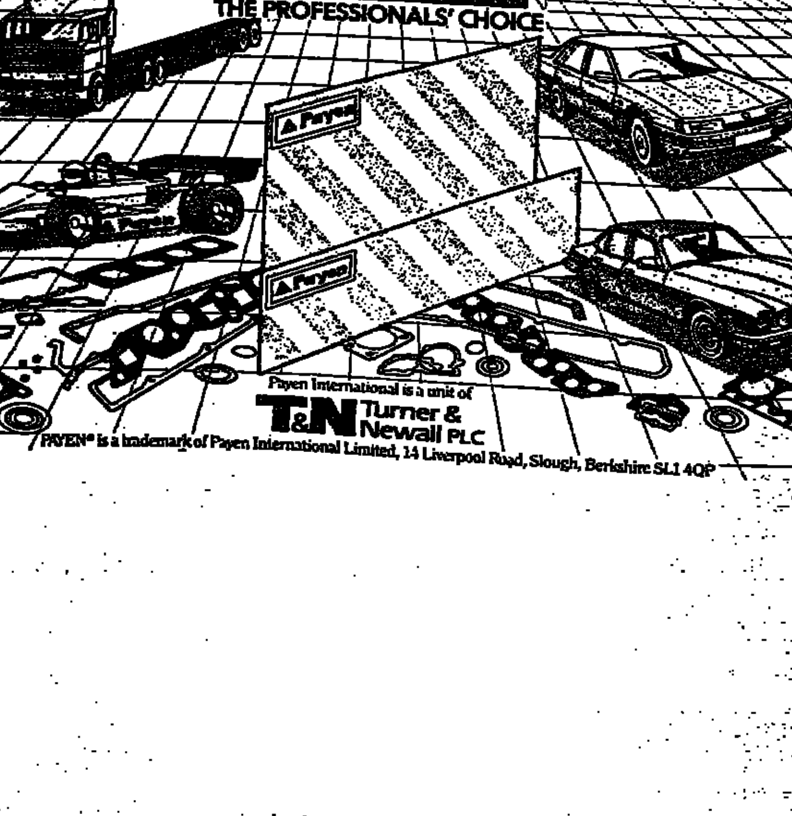
lobbying for greater access to continental markets. Mr Peter Miller, chairman of Lloyd's, the British insurance market, said in welcoming the judgment: "Lloyd's has always believed that proper freedom of insurance services will be beneficial to the EEC in the wider context of completion of the internal market."

He emphasised that Lloyd's did not "anticipate an overnight bonanza" as a result of the liberalisation permitted by the ruling, but instead looked forward to a "steady increase" in European business.

The decision evoked an instantly enthusiastic reaction from the European Democratic Group, representing Conservative members of the European Parliament. The group called it a great victory for proponents of a freer internal EEC market and claimed that the decision could allow British insurers to earn "billions of pounds."

Mr Jason Frangoulis, chairman of the British Insurers International Committee, which represents the UK's insurance companies, said that in the immediate future specialist insurers in the London market could expect to attract more European business. "We must be pleased," he said. Removing restrictions in Europe would also strengthen the European industry's ability to compete with Japanese and US insurers.





SECTION III

# FINANCIAL TIMES SURVEY

# Distribution Services

This highly specialised sector is transforming the delivery of retail goods and meeting a boom in demand for express parcels services.

Packages being sorted in the huge Federal Express superhub at Memphis in the US. In Europe, an increasing number of companies have come into the parcels business though the aim of guaranteed overnight delivery puts a premium on efficiency.

## Emphasis on speed

**By Kevin Brown, Transport Correspondent**

A QUIET revolution is going on in the distribution services industry as economic pressures combine with technological and social change to create an increasingly specialised service sector.

In retailing, control and influence has shifted decisively away from suppliers and towards retailers as the major multiples exercise the bargaining power conferred by their dominant position in the market.

There have also been important developments in other distribution areas, notably a boom in demand for express parcels services which has led to a rapid increase in the number of competing companies.

The most notable new entrant in this sector has been Federal Express, the Memphis-based US carrier, which bought a substantial share of the UK market by taking over Lex Wilkinson.

Changes are still taking place within the retail market place, but a clear pattern has emerged as the major multiples shift the location of many stores to out-of-town sites, and achieve growth by taking over smaller companies as well as opening new outlets.

According to industry estimates, the multiples now account for up to 75 per cent of retail sales, giving them enormous influence over distribution services, which most have not been slow to use.

The retailers have developed their own centralised supply arrangements built around the concept of consolidation warehouses, requiring deliveries of bulk supplies to central distribution centres from which stores can be supplied according to individual requirements.

In the important grocery sales sector, it is estimated that up to 40 per cent of all goods sold in the UK now pass through the centralised distri*bution centres of the top eight* multiple grocery retailers. This is expected to rise to between 45 and 50 per cent within the next two years.

Some companies, such as Sainsbury's Kwik Save and Waitrose, have achieved a level of centralisation of 80 per cent, which is thought to be the practical ceiling for centralised supply in this sector.

Some goods, including sugar, soap powder and detergent products, are more suited to direct delivery because of their bulk and speed of turnover. The so-called "morning goods," such as bread and milk also require direct delivery to stores.

In other sectors, Marks and Spencer, Boots, and Woolworths all have their own centralised distribution arrangements. In the electrical field, Comet and Curry's/Dixons have a similar organisation, while C & A and Burton's have their own hanging garment distributors. The British Shoe Corporation has its own central warehouse, as have Debenhams and the John Lewis Organisation.

Some of the larger stores also have what are called common stock rooms, where central warehousing consolidates goods for a number of stores, and orders are made up ready for the shelf.

The development of centralised warehousing by retailers has meant that manufacturers have also had to reconsider their distribution networks as the usefulness of their own networks of depots has declined.

As a result, the high fixed costs and investment requirements of distribution operations have become increasingly unattractive to manufacturers, leading to the growth of specialist distribution companies operating a number of distribution networks on behalf of specific customers.

The choice for manufacturing companies has been to withdraw from operating their own distribution networks, as Unilever did when it sold its SPD subsidiary to National Freight Consortium, or to develop the business as a common carrier, offering specialised services to other manufacturers.

This was the course chosen by United Dairies, United Biscuits, and Reckitt and Colman, who opted to market their services to other manufacturers, particularly those in similar fields of operation.

In the same way, Express Dairies marketed distribution to supermarket outlets, Geest marketed their expertise and experience in produce, and TLT set up TLT Distribution to relieve their dependence on sugar distribution at a time when imports of cane sugar were being restricted by the EEC.

Independent companies such as Longton, Peter Lane and Christian Salvesen also entered the market as they saw a particular niche in which they could offer experience.

All these companies offer distribution facilities to manufacturers on the basis of common use of their facilities, relying on economies of scale to offer clear gains to customers in reduced costs.

Most of the big national distribution companies, such as NFC and Transport Development Group (TDG) also offer dedicated services, under which they supply a complete distribution operation facility tailored to the needs of a particular customer.

Dedicated contracts usually involve the provision of all management services associated with the customer's distribution requirements, and often incorporate the customer's own computer ordering and stock control systems, or the provision of these facilities by the distribution company.

Dedicated contracts have the advantage for both retailers and manufacturers of offering tailor-made services and a large measure of control of distribution, while relieving the customer of the problems of day-to-day management.

The use of contract distribution of this kind also has clear financial benefits for the customer, since the contractor will usually provide not only the capital for vehicles, trailers, plant, equipment and computer services, but may also provide completely new warehousing facilities if these are required.

An important point in this context is that the distribution industry tends to be satisfied with a lower return on capital investment than manufacturers and retailers, who can often allocate capital to areas of higher return in their main areas of business.

There are also considerable gains to be made by customers in the reduction of management time required to exercise day-to-day control of distribution operations.

For retailers, contract distribution offers the opportunity to integrate the distribution, stock control and reordering procedures into one system, encompassing the buying office, distribution and store sites. Improved efficiency can also lead to shortened lead times, better stock control and more flexible allocation between stores, which increases the availability of individual lines.

Perhaps the most important benefit is a reduction in the stockholding which is necessary, since goods are held at a central point rather than at the point of sale. This means less congestion at stores as the dedicated distribution fleet makes timed, consolidated deliveries.

The key to the development of centralised distribution through consolidation warehouses is the computer-based information systems that have become available in the last few years.

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CONTENTS

## Distribution services 2

### Operations management

# Food retailers show the way

DISTRIBUTION is still a widely misunderstood and often overlooked area of operation for many company managements, in spite of much greater attention and publicity in recent years.

That, at least, is the view of most distribution industry experts. They claim that while a number of major retailers and rather fewer large manufacturers are familiar with latest developments and thinking, substantial sections of industry and commerce are not.

"Too many people still tend to be pre-occupied with the price per case when it comes to distribution. They don't take the blinkers off and take a more general look at what a good distribution operation can do for them," Mr Bob Goulborn, marketing manager for Lowfield Distribution claims.

"Distribution is not just a matter of the cost of getting something from A to B. It is also the speed at which you get information and how you cope with that information to improve cash flow."

Helping to support those claims are the results of a retail distribution survey carried out earlier this year for Lowfield by KAE Development. The research covered some 80 retailers, agents, manufacturers and brokers in the food, confectionery, drinks and household goods sectors, and argued that while certain companies were notable for the adoption and development of sophisticated systems, many others had yet to reap the benefits of planned and integrated distribution strategies.

The research showed that companies fell into three broad categories — those which totally ignored distribution, those which paid lip service to it and those which organised their distribution effectively, and which had in many cases got to the point where they were exercising total logistics management.

The wide variation in approach is confirmed by Mr David Basey, the distribution projects manager for Mitchell Cotts Transport Services, who argues that big retailers like Sainsbury and Tesco with detailed understanding of distribution operation are exceptional.

"Although things have got a little better over the last couple of years, there are still companies that know they have something wrong with their distribution systems but are not really sure what," said Mr Basey.

One of the major factors inhibiting companies when it comes to developing more sophisticated distribution systems is not surprisingly thec ost, or the assumed cost, of setting up such arrangements. Helping to foster such views is the wide variation in the parameters of distribution budget analysis, as a result of which many companies fail to appreciate their true distribution costs.

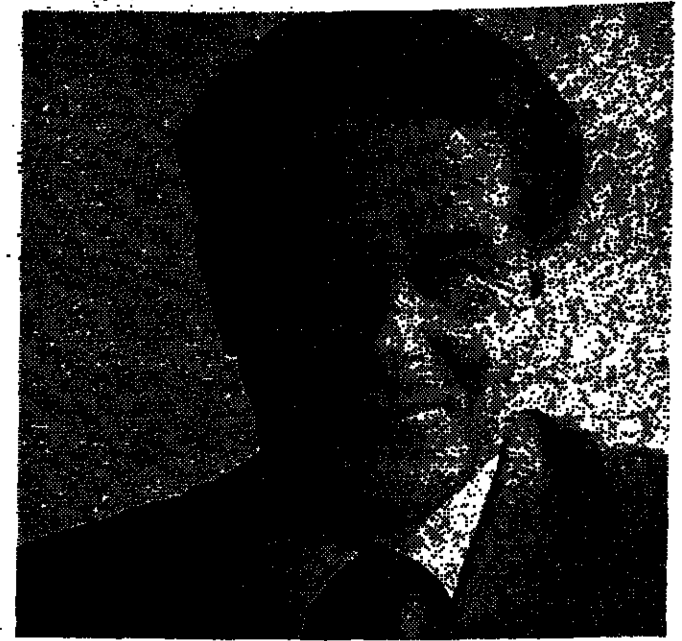
Companies which carried out distribution audits expecting costs to be in the region of 6-8 per cent of cost-ofsales often found them to be double that or more. Distribution extends far deeper into an organisation than most people think, however, and this provides the explanation.

In making decisions on stock availability and order-to-delivery times, a company is determining its own inventory level, its warehouse capacity requirements and even their locations, as well as the method by which goods were carried.

Sales administration, credit control and order processing were rarely part of the distribution function yet they directly affected on the perceived delivery service to the customer.

"For instance, a distribution manager frequently increases his freight cost to shorten delivery times when the root of the problem lies in the salesmen posting their orders by second class mail and/or orders taking a week to clear credit control and requiring another day or two to be processed," Mr Koppert observes.

Distribution industry experts also agree that specialist distribution contractors and service providers have for their part not done enough to advance their own cause in promoting the development of more sophisticated systems and the need to look at distribution in its broadest context.



Tony Stanton: common goal to reduce waste

Even so, an increasing number of retail and manufacturing companies are now realising the possible value of efficient distribution. The emphasis is in effect moving from the assessment of the finite cost of physical resources, such as vehicles, warehouses and drivers, to an equation encompassing the cost of inventory levels, the sales value of greater stock availability, the cash flow benefits of speedier invoicing and the marketing value of instant management information.

The key factor in that development and most others in the distribution field is the increasing use of computerised systems both to manage operations, and, more particularly, to collect and process information. By using modern technology, argue distribution and computer specialists, companies can make distribution become a compeitive weapon.

"The increasing levels of competition in the slowly growing western economies have led to the recognition that improvements in distribution systems can be a source of competitive advantage. The effective use of technology fully to integrate the distribution process can improve service levels and reduce cost," comments Mr Max Dobres, UK retail and distribution marketing manager for Digital Equipment Company, which is currently looking to expand its involvement in the distribution market.

"Competitive advantage from distribution will come not from optimising it as an independent function but from integrating distribution into the operations of an organisation in line with its competitive positioning. Information technology should not be thought of as just an operational tool. It can be used in a "pro-active" way to help meet business objectives."

Support for the view that greater expertise in, and knowledge of, information technology will solve many of the complex problems relating to distribution, comes from Mr Tony Stanton, managing director of Tate and Lyle Distribution Services. Development of database management systems would identify wasted resources and costs so that new solutions could be found, he noted.

However, if waste was to be reduced, all involved would have to rethink their traditional relationships and work together towards a common goal from which each benefited.

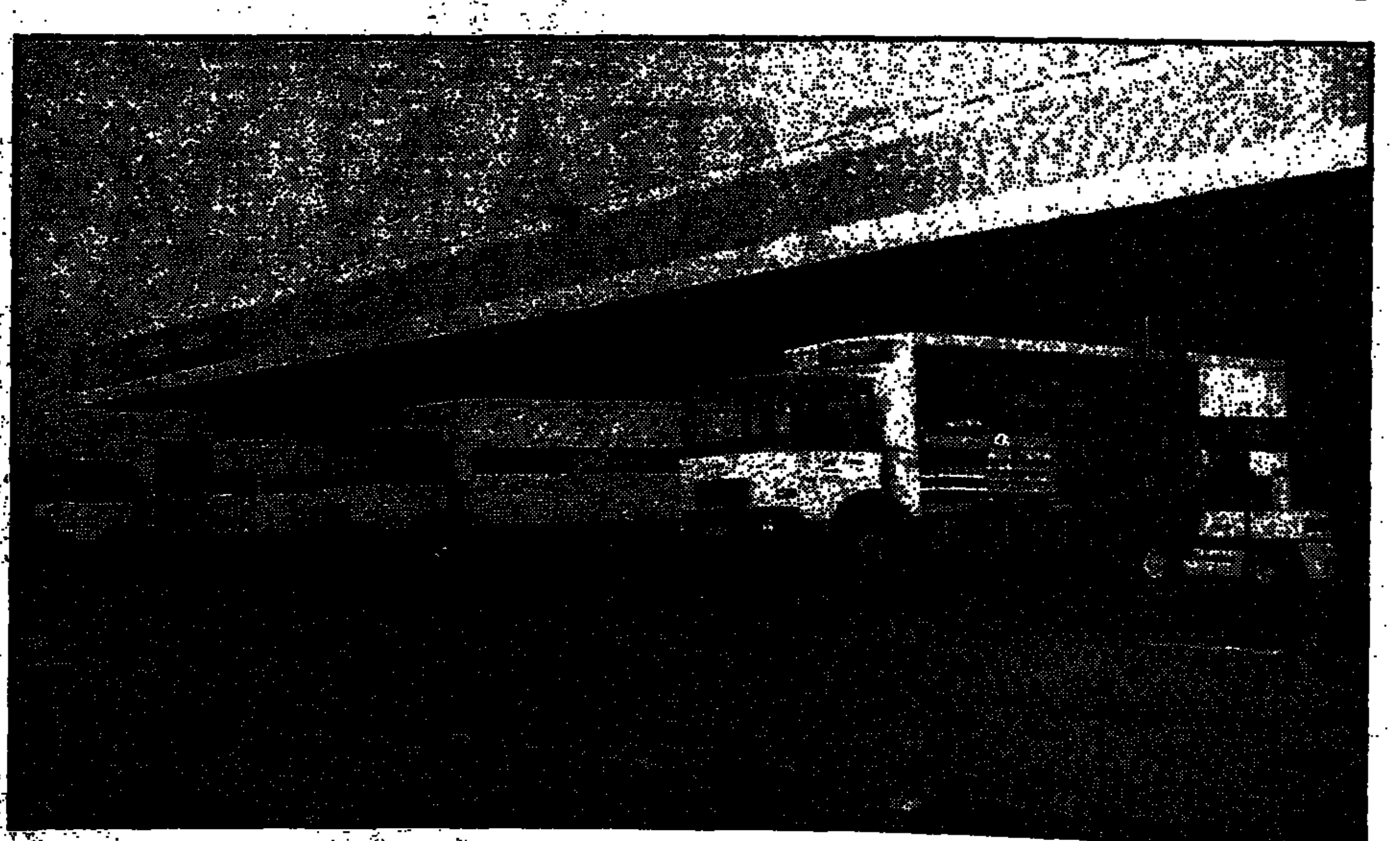
"If we allow distribution companies to continue to compete to produce the lowest cost for the client against an unrealistic specification, then we will simply perpetuate the situation where the hire and reward sector fails to generate the cash it needs to develop modern information systems," he claims.

According to Mr David Buck, marketing director of National Carriers Contract Services, specialist third party operators were in fact responsible for 28 per cent of all retail products distributed in 1985, an increase of 11 per cent over 1978. By the 1990s, he believes, more than 40 per cent of all retail products will be controlled and moved by third party operators.

NCC and other contract distribution companies also maintain that the time is fast approaching when third party operators will not only be responsible for the warehousing and distribution of stock but will also legally own it. Customers will, however, retain control over the buying decisions and be responsible for negotiations with manufacturers on quality, price, discounts, etc.

"The transfer of stock ownership has three key benefits for retailers. First, it improves the balance sheet; second it greatly improves cash flow—retailers pay for the stock as it is called off; and third there is a tremendous incentive for the third party operator to maintain stock holdings at the lowest possible operating levels—adopting the Kanban System or just-in-time method," Mr Buck says.

**Phillip Hastings**



Part of Tate & Lyle Distribution Service's fleet. The increasing use of computerised systems enables the physical distribution of goods to be carried out more efficiently and economically

Air freight

# Overnight links speed packages

AIR FREIGHT operations, particularly in the form of overnight air links operated by express services companies, are playing an increasingly important role in the international distribution of goods.

Encouraged by growing adoption of the "just-in-time" concept in the distribution sector, more and more service companies are turning to air as the means to satisfy the demands which that idea creates. Particularly prominent are the growing band of integrated service operators offering overnight and other express door-to-door delivery services in Europe and other international markets.

Within the last few months, for example, two of the world's largest express and integrated service operators, Emery Worldwide and Federal Express of the US, have both unveiled plans for the development of substantial air-based distribution systems covering the UK and Continental Europe.

First off the mark was Emery which in September introduced a new European airlift system centred on Maastricht in the southern Netherlands. Eight light aircraft are now being used to provide overnight air links between Maastricht and 15 airport cities in Europe, including London, Birmingham and Manchester. Hundreds of other European cities are connected via trucking operations.

Introduction of the air operations enables Emery to offer next morning by 10.30 hours delivery of non-dutiable packages to many European points and next day deliveries for dutiable parcels and heavier weight shipments. The longer term aim is to bring in before 09.30 hours deliveries for major centres.

More recently, Mr Frederick Smith, founder and chairman of Federal Express, revealed that his company is currently looking substantially to expand European air operations centred on the company's main Continental hub at Brussels, Belgium.

The idea, according to Mr Smith, is for FedEx to acquire 7-10 turbo-prop aircraft of the F27/HS748/Shorts 330 type, i.e., offering payloads of between 3.5 and 5 tonnes, within the next three months for operation in Europe. Also under consideration is the acquisition of a similar number of smaller aircraft, notably the Cessna 208, which has a payload of around 1.75 tonnes. This will be used both to feed traffic direct into Brussels and also to maintain more local links for some of the outstation points covered by the larger equipment.

The additional air operations planned by FedEx are related to its intention to initiate direct services to a further 18 cities in Western Europe over the next six months—at the moment the company covers 12 points directly in West Germany, the Netherlands, Belgium, Switzerland and France.

While FedEx and Emery have made the major headlines over the last few months, they are just two of a large and still growing group of freight operators now using air links to sustain intra-European distribution services—others include Securicor and Elan from the UK, Netherlands-based XP Express Parcel Systems and Pandair International, Scandinavian airline SAS and the Australian-based TNT-Ipec organisation.

Even predominantly domestic service companies are joining the European air operators' club—among the latest is the UK rail-based parcels service operator Red Star which has over the last few weeks introduced a number of air links to boost its UK/Ireland services and is currently carrying out trials with a UK/Continent connection involving overnight flights between Southend, England, and Brussels, Belgium.

"Some customers may find it odd that a rail-based premium parcels service is using aircraft to move parcels, but our customer research has told us that there is a demand for a faster service than even a high-speed train can offer," comments Mr John Nelson, national business manager for Red Star.

A number of the intra-European express organisations, together with leading international airlines such as British Airways and Lufthansa, also now offer air-based international door-to-door services for smaller freight items to other markets all over the world.

Many of the factors contributing to the growth of express freight/distribution services based on air operations were highlighted at the recent 13th International Forum for Air Cargo held in Basle, Switzerland.

In a paper which looked at the relationship between the Just-In-Time concept and the air transportation industry, Mr William Goins, senior marketing manager distribution systems for Federal Express, said a growing number of businesses were adopting just in time principles. Arrival of deliveries a day too early or too late was in many circumstances unacceptable. There was, therefore, an increasing demand for fast, reliable and "time definite" transportation such as that which could be provided by air carriers.

"The fact that many suppliers and manufacturers are located thousands of miles apart provides a major opportunity for airfreight carriers, airfreight forwarders and other air-transport-related firms. An alternative to using airfreight for manufacturers that are committed to providing 'time definite' delivery is maintaining high-value inventories in several locations. This can be very expensive," Mr Goins observed.

However, air service operators still have to overcome a number of hurdles if they are to develop their operations in the way they believe is necessary to meet all the distribution demands of their customers. American operators in particular claim that international air transportation and customs regulations are behind the times.

Customs systems, they say, are in most cases not optimised for the high priority goods and documents which are increasingly moving between suppliers and customers of the new world economy, while bilateral air transport treaties are totally at odds with the demands of the market places.

"We believe that aviation authorities worldwide should give consideration to liberalising air freight. At the very least, restricted parts of the air-freight market which clearly have express characteristics should be revised," comments Mr Smith of Federal Express.

**Phillip Hastings**

*Loading a courier service helicopter. Air systems still meet delays caused by official red tape*

Aircraft of the Royal Mail's Datapost system

# Gearing to the slow-sell lines

## Profile: Prism

THERE HAVE always been plenty of companies in the distribution field seeking to handle the "stars" of the industry—the high-volume consumer goods which spend little time on the retailers' shelves. There has not always been so much enthusiasm for the "dogs"—the low-volume, low-value goods which the retailer wants to stock only in limited numbers.

Much of the distribution system for the dogs has been dominated in the past by the manufacturers, who sought to ease their own problems by delivering by the caseload — often leaving retailers to cope with piles of excess stock taking up valuable space in stockrooms.

The low-volume end of the market is the target for a new distribution system launched by Harris-Reliance, formerly the northern holding company of Transport Development Group, through its new subsidiary Prism, standing for Professional Retailing Involves Service Merchandising.

The intention of Harris-Reliance in launching Prism was to capitalise on the growing demand from retailers for accurate and timely supply of goods to minimise both back-room stocks and empty shelves.

This in turn has grown out of the development by major retailers of their own central warehousing and secondary distribution facilities, which are not geared to handling low sales velocity goods delivered in single units.

Prism was set up to deliver slow-selling lines such as health and beauty products, soft goods, speciality foods and pet products, direct to stores in quantities sufficient to ensure that shelves are kept full without recourse to back room stocks.

Mr Alan Binks, managing director of Harris-Reliance, estimates that large supermarkets carry up to 10,000 slow-moving lines—necessitating a stock of 10,000 cases within the store if the retailer is to avoid becoming out of stock on any one item.

The distribution system adopted by Prism is based on the service merchandising concept used in the US to supply small general retailers, and is closely geared to single-item delivery. But the major innovation pioneered by Harris-Reliance is the creation of an extensive software package allowing the whole operation to be computer controlled.

The software was developed at a cost of £800,000 by Janet Lennon, the Harris-Reliance director responsible for development of distribution systems, and is claimed to be the only such system in operation in the UK by contract distributors.

At the heart of the system is the store consultant employed by Prism, who records retailers' restocking requirements on a handheld terminal for later transmission to a central IBM computer at the company's distribution centre at Tildesley, near Manchester. The computer then prints retail labels for each item required, and the goods are packed in plastic tote boxes for delivery to the store.

The computer system was designed to provide a package of inventory management, warehouse organisation, retail store merchandising, receipt and processing of orders, invoicing and payment, van and truck movements, and management and sales data.

It was designed in co-operation with Mr Nils Elrin, managing director of Prism, who had previously set up a similar physical distribution system in France.

According to Mr Elrin, the core of the system is an attempt to allow retailers to keep tight control of inventories by providing them with accurate information of the selling speed of individual lines, to keep a balance between overstocking and sold-out goods.

Retail labels printed by the main computer are used by warehouse staff to select individual items for tote boxes in the operation known in the industry as picking. In this area, Prism hopes to achieve 1,000 picks per operator per hour, and claims to have achieved 550 picks per hour already — well above the industry average of about 200.

This is on the basis of only one major contract, however—for CWS, the wholesale arm of the co-operative movement. The contract started in October with 800 lines for delivery to Co-op stores in the South of England and Scotland, and is gradually being extended to cover other areas.

In addition, the system is being used to handle Christmas orders for the Asda supermarket chain.

Harris-Reliance has invested about £3.5m in the warehouse at Tildesley, which covers 75,000 sq ft, and has capacity to handle 750,000 items per day. The initial Co-op business required only about 20,000 picks per day, but Mr Binks says interest from retailers has been so intense that the company is already considering plans for a further investment of £3m in another 100,000 sq ft of warehouse space.

Mr Binks says an average of three retailers per week have visited the Prism operation since the Co-op contract came on stream, and negotiations are also under way with potential customers outside retailing, including a group of private hospitals.

"What is happening at Prism is a real revolution in the retailing business which has not yet been fully appreciated by either customers or our competitors," he claims.

**Kevin Brown**

## Distribution services 4



### Rail systems

# A connection restored

*BRITISH RAIL* has invested a lot of time and money in the last few years in attempting to win back a major share of the distribution market from the roads. But the corporation has been forced to mount this campaign against a background of major problems in its mainstream freight operations.

The root of the corporation's difficulties lies in the 1984 coal strike, which cost BR £250m in lost revenue, leading to a total freight loss of £264m in the 15 months to April 1985. This seriously affected the financial position by increasing interest charges by up to £13m a year. Perhaps even more important, sympathetic action by railmen, some of whom refused to move coal stocks, caused a loss of confidence among customers which BR has found difficult to overcome.

Sir Robert Reid, BR chairman, recognised the extent of the problems facing the division in the 1985-86 annual report—a year when the corporation budgeted for a £38m profit on freight operations but lost £17m. Sir Robert conceded that revenue expected from coal restocking had not materialised, and noted: "Intensive effort is being made to ensure that Railfreight achieves its financial objectives."

Foremost among these objectives is the requirement that freight services operate without public subsidy—a Government instruction sometimes not fully appreciated by the corporation's competitors. The level of operating return required from the freight sector has recently been reduced, however, from 5 per cent of net assets by 1988 to 2.7 per cent by 1989-90. This was widely interpreted as a recognition by Mr John Moore, the Transport Secretary, of the railway's difficulties and an attempt to set tough but attainable targets.

Against this background BR has fought to develop its two main freight services — Trainload, which offers complete trains for customers with large quantities to move; and Speedlink, a network of timetabled freight trains on which customers can book available space.

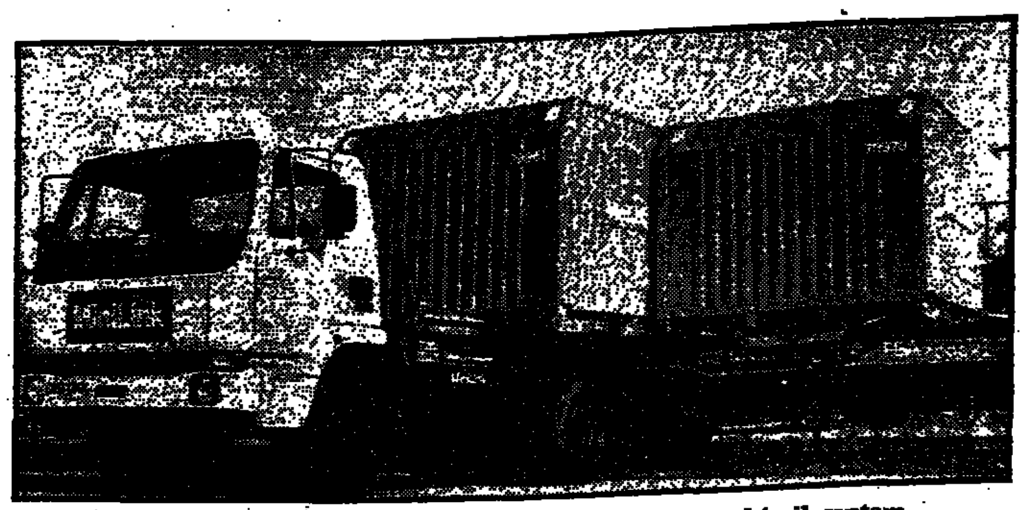
Speedlink is an attempt to move back into the general wagon-load business abandoned by BR in the 1960s, when customer dissatisfaction with its outmoded service led the corporation to concentrate on bulk train-loads. The trigger for the attempt to move back into distributing more customer-orientated goods was the decline in the manufacturing base in the early 1980s, and the consequent effect on bulk loads.

BR has established a network of private warehousing and distribution specialists with rail-connected depots which carry out road deliveries and associated activities such as stock control, order picking and multiple destination delivery. Alternatively, wagons can be routed direct to customer's private sidings, for which government grants are available where environmental benefits are likely.

Trunk haulage is carried out in a fleet of wagons with capacities of up to 29 tonnes (74 cubic metres). In addition, privately owned wagons with capacities of up to 54 tonnes (112 cubic metres) are available for hire. Specialist vehicles for bulk products such as liquids and cereals are also available. Trains and wagons are monitored by Railfreight's computer control system, which allows wagons to be located within seconds.

Speedlink recognised that it was attacking a market where road transport was firmly entrenched, with the trade geared to its use. So it limited initial involvement to businesses where rail access already existed at both ends of the trunk network or could be installed reasonably cheaply.

The system met with early success in the food and drink and paper industries. Mr Stan Jud, Speedlink Distribution's national business manager, said customised distribution plans had been designed for a number of market leaders, including Guinness, Taunton Cider, Campbells Soups, Spillers Petfoods, and Wiggins Teape.



Loading containers on British Rail's MiniLink road/rail system

Guinness had virtually abandoned the private siding at its Park Royal brewery in west London before switching back to rail in 1984. Since then, the company has bought its own shunting engines from BR to marshal wagons for delivery around the UK.

In the long-term, maintaining BR's growth will be dependent on the creation of more rail connected premises. In an attempt to promote this, BR has set up a computer library of data on land available for development.

The intention of the library, known as Landbank, is to allow BR to bring rail to the attention of companies at an early stage in the distribution planning process, before they become locked into road-based alternatives.

BR is also keen to point out to potential customers that grants are available from the Government where the use of rail rather than road could bring environmental gains.

Mr Stephen Dargaval, a management consultant specialising in financial advice for rail freight developments, said the grants were designed to encourage investment where projects were fundamentally sound but the return on capital might otherwise be unacceptably low.

"We are receiving an increasing number of inquiries from development corporations and estate developers, who can see the advantages of a rail link as an additional selling point for development schemes," he said.

"Logic suggests that if everything else is equal, a rail option should enhance rather than detract from its marketability."

Speedlink Distribution has also recently introduced a service called Minilink to offer inter-city door-to-door distribution of small loads, using five-tonne mini-containers and local delivery trucks.

Mr Mike Hames, Minilink project manager, said Speedlink had identified a gap in the market for a versatile and secure service for small loads. "By co-operating with private industry—Kalmar Industries of Sweden, Scania and Leyland Trucks—we have developed a new service which can be used to penetrate this market and hopefully allow us to win more traffic to rail," he said.

The basic unit of the Minilink system is an 11.8 cu metre container with doors on one face. The containers are carried on customised rail wagons between distribution points, where they are transferred to trucks for delivery to the customer.

The containers are fitted with collapsible legs, like a conventional demountable truck body, so that they can be left on customers' premises for loading or unloading. The containers are collected by trucks fitted with chassis-mounted, self-loading equipment and returned to the rail depot.

Initially, the service will operate nightly between depots in North London and Hillington, near Glasgow. It will be extended if successful.

**Kevin Brown**



### Equipment

# IT the key to efficiency gains

THE FOCUS of attention where technological developments in the distribution field are concerned is now increasingly on the collection and processing of information rather than the physical means of moving goods.

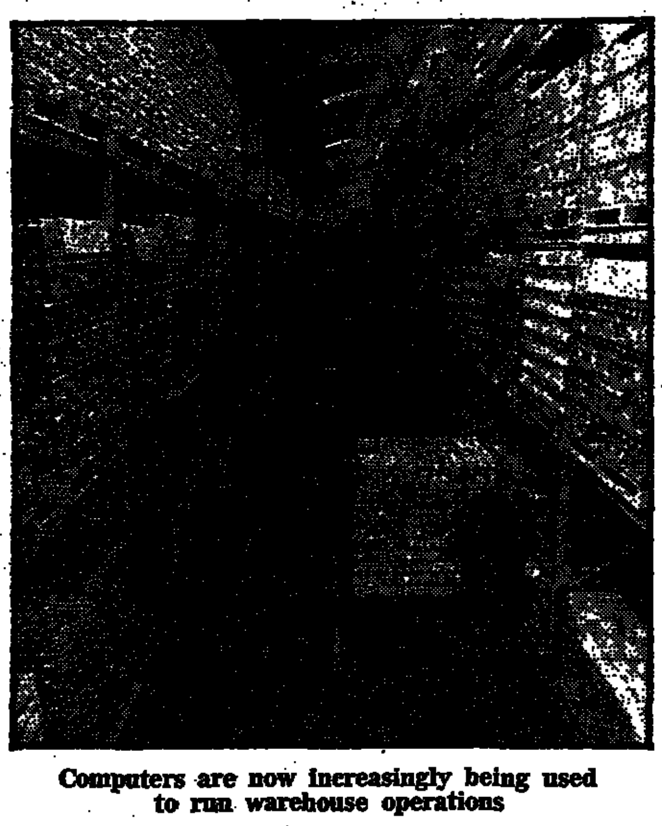
Rapid advances over the past couple of decades in the design of equipment to move, handle and store products have brought the industry to the point, many distribution sector observers believe, where most developments in the foreseeable future are likely to be refinements of existing systems and technology rather than major breakthroughs.

British Rail's Speedlink Distribution organisation, for example, is currently test marketing a new system called MiniLink which uses a combination of five-tonne capacity mini-demountable containers and local delivery trucks to provide inter-city, door-to-door distribution services.

As for refinements to existing equipment, the sort of developments now taking place are well illustrated in a new range of powered pallet trucks and stackers launched last month by BT Rolatruc.

Features of the three machines in the range include a special drive wheel unit design which adjusts drive wheel pressure according to the load on the forks, so improving traction and acceleration; an optional wire guidance package which allows trucks to be quickly converted from manual to automatic operation; and one-piece, fast-change batteries which can be changed in less than 90 seconds, according to the manufacturer.

Overall, though, distribution experts believe that the greatest scope for progress in their industry now lies in the improvement of systems for capturing and using information associated with the movement and storage of goods.



Computers are now increasingly being used to run warehouse operations

Supporting that view, Mr Tony Stanton, managing director of Tate & Lyle Distribution Services, says the industry could not look to innovation in vehicle design or to much infrastructural improvement on anything like the scale of the past.

"Improved economic performance can only come from improvements in our capture and analysis of information to help all the players work together to reduce costly inefficiencies," said Mr Stanton.

Developments in information technology, he says, hold the key to greater efficiency in the distribution of consumer goods from factory to shop and there is an opportunity for distribution companies to develop tailor-made order capture, stock rotation, stock control and delivery scheduling systems.

"The development of database management systems will make it possible to capture a wealth of information about clients' distribution patterns, drop sizes, order frequencies and seasonalities which has not been possible in the past. They will identify wasted resources and excessive costs so that new solutions can be found."

Not surprisingly in the light of such trends, recent years have seen a substantial increase in the number of computer-based systems designed for the distribution industry coming on to the market. Among the latest examples is the Genesis Distribution System introduced earlier this year by National Freight Consortium company Freight Computer Services to provide "an integrated business solution for companies, including manufacturing, assembly, wholesale and retail organisations, who rely on transport and distribution of goods."

Included in the Genesis package are seven modules covering sales order processing, stock control and order picking, warehousing, purchase order processing, financial systems, fleet management and management reporting. The idea is that all those inter-related activities, any of which can have a bearing on the efficiency of the others, are integrated, coordinated and monitored by the one data-processing system.

In addition to computerised systems covering distribution activities in their broadest sense, there has also been a boom in the development of systems designed to deal with more specific functions such as vehicle routing/fleet management and warehouse operations.

Typical of developments in the former category is a new version of an already proven microcomputer software package called RoadBASE just launched by Nottingham-based Freight Software. Basically, the system is designed to provide fleet managers with constantly updated information to aid decision-making on vehicle purchasing, component specifications, sources of repair and other matters having long-term effects on operating costs.

Another benefit, Freight Software says, is that the system provides early identification of rogue vehicles, sub-standard componets and inefficient operational practices.

As far as warehouse operations are concerned, computerisation is now increasingly being used both for communication with supply/sales points and to run day-to-day activities.

A good example of how far the use of computer systems has already advanced is Black & Decker's new 126,000 sq ft national distribution centre at Northampton, said by many observers to be Europe's most advanced warehouse.

According to chartered surveyors Fuller Peiser, who were closely involved with the Black & Decker project, orders received at the company's Slough head office are processed by a mainframe computer which then communicates with the warehouse control computer at Northampton via British Telecom kilostream lines.

That then automatically directs cranes to retrieve the relevant product from the 75 ft high racking where 27,000 pallets are stored. The pallet selected is automatically conveyed to the picking area where visual display units tell the operators how many items to pick. Larger orders by-pass the picking area and go direct to despatch.

Alongside that operation is the accessories area which comprises eight-metre high pallet racking, gravity-fed racking, steel shelving and vertical carousels. The operator receives his picking list from the computer, which includes all necessary documentation such as address and bar code labels. When picking is complete the carton is despatched on powered conveyors via automatic filling and sealing stations.

However, while automated systems for warehousing are now widely available, most distribution specialists in the UK still claim that the country is some way behind many of its rivals when it comes to such operations.

A major factor in that, they say, is finance. While some manufacturers, suppliers and retailers are apparently keen to press on with greater automation, their financiers are often reluctant to accept the benefits of such systems in other than labour and land costs.

The same people also tend to show a lack of confidence, or at least great caution, about companies' future performance and are therefore less than enthusiastic about supporting substantial investment in warehousing automation.

According to leading distribution consultants, financial institutions prefer to back the development of multipurpose warehouse buildings which can be adapted to other uses should the original activity be discontinued rather than invest in more purpose-built facilities.

The result, say the consultants and distribution services companies, is that warehouse developments tend to become compromise solutions involving various trade-offs between use of space, inventory considerations and the need to maintain high service levels.

The majority of modern warehouse installations do now use narrow aisle racking systems where the aisles are reduced from 8 ft 6 in to 5 ft 6 in to generate an additional three feet of space per aisle for storage purposes. Such set-ups are serviced by specially-designed narrow-aisle trucks which are normally able to stack pallets higher than more conventional reach trucks.

**Phillip Hastings**

Parcels

# Heavy demand for express delivery

THERE HAS BEEN a heavy *increase in demand for express* parcels delivery in the past few years, prompting a number of major business developments.

The most recent is the takeover of Lex Wilkinson, the British distribution company, by Federal Express, the fast-growing US express parcels carrier. The distribution activities of the two companies were merged from November 10, under the name Federal Express UK, and all UK express parcels business was transferred to a new subsidiary called Federal Express Priority Services.

Commenting on the merger, Mr Colin Millbanks, group managing director of Federal Express UK, says British customers of Lex Wilkinson would now have access to a fast, proven and secure international express delivery service.

"Any customer can now pick up the telephone and ask for his parcel to be delivered to Torquay, Tokyo or Texas. We have the skills and knowledge to open up international frontiers—cutting all the red tape involved in customs clearance," he says.

Mr Millbanks says there are many operating similarities *between Federal Express and* Lex Wilkinson, notably the "hub and spokes" distribution system invented by Mr Fred Smith, the founder and chairman of Federal, and since copied by most other express delivery companies.

Lex Wilkinson uses lorries for night trunking from its hub in Nuneaton, while Federal uses aircraft, but both companies claim a high success rate for guaranteed overnight delivery —99.9 per cent for Lex and 98.7 per cent for Federal.

Mr Millbanks identifies a major difference between the US and UK markets, however. "In *this country the sender* takes it for granted that a particular package will be delivered on time — he rarely checks. In the States the philosophy is somewhat different. As a matter of course the sender often checks to see not only if, but when his package was delivered," he said.

The management of Federal Express UK has proved itself well able to implement and exploit the technology employed by the US parent company to keep track of parcels, Mr Millbanks says.

The core of this system, called Cosmos IIb, is the miniature hand-held computers on which couriers record collection and delivery information.

The information can then be retrieved via 16 satellite earth *stations by any Federal Express agent around the world to* locate a specific parcel.

This type of technology allows Federal to deliver over 650,000 shipments to over half a million locations around the world every day using a fleet of 180 aircraft and more than 14,000 vehicles.

This includes nightly flights from Birmingham and London Heathrow to Brussels, where parcels from the UK are fed into the Federal Express international network through the company's European hub. Four DC-10 flighes a week from New York and Memphis, where Federal has its headquarters, bring traffic from the US to the UK.

The entry of Federal Express into the UK parcels market marks a new phase of development for a company which has taken 37 per cent of the US market since it was founded in 1973, and which *forecasts* turnover of $3bn in the current year.

Mr Smith delivered a stern warning in London recently, however, that Europe faces enormous difficulties in developing international express parcels services unless governments agree to deregulate air transport *along* the lines adopted in the US.

It was clear, he said, that the world was on the brink of a major systemic change similar to the dawn of the industrial revolution as *service* activities continue to grow in importance in *international* trade.

"It is somewhat appalling *that*, in the main, the current regulation of international air transportation and customs activities does not recognise the massive market forces at work," he said.

Most customs systems were designed *for* the movement of bulk freight, and to a lesser degree, traditional postal services. In virtually no case were they optimised for the high priority goods and documents that are increasingly moving to and from suppliers and customers of this new economy.

"Similarly, most postal regulations today fail to take into account the incredible growth of service industries which now create enormous flows of funds across international borders."

It was unfortunate that most regulation of international air transport failed to address these needs. Archaic bilateral air transport treaties were now totally at odds with the demands of the market place.

"*These government to* government agreements were developed around passenger services, and they fail to recognise the different roofings, physical characteristics, urgency and schedules required of this new type of traffic," he said.

Mr Smith urges governments to liberalise international air freight services, at least in the express field. Customs services also need to develop systems which would permit rapid clearance of express items, he believes.

"In a time of substantial economic change, the consequences of erroneous regulation and inflexible trading systems can be quite severe," he says.

The other major new development this year has been the establishment by eight European rail systems, including British Rail, of a rail-based international parcels service called Eurail Express.

The service, which was launched in January, followed a limited operation between the UK and Belgium launched in 1983. It now takes in Luxembourg, the Netherlands, West Germany, France, Austria and Switzerland, and there are hopes of extension to Scandinavia and Spain next year.

Eurail Express offers guaranteed next-day delivery to most *destinations* in the system, with a maximum travel time of 48 hours. There is currently a weight limit of 50 kg, plus a limit on size, defined as two metres long with the sum of the other two dimensions not to exceed two metres. There are hopes that this will be raised, however.

The railway undertakings have deliberately set prices at a low level to try to draw business away from air courier and road express services. The use of standard documentation assists with border formalities, which are dealt with by the rail authorities.

A number of bilateral cross-border rail-based parcels express services have existed for some years, but widely different weight limits and parcel dimensions limited large scale co-ordination.

Mr Mike Bonsor, marketing manager of British Rail's Red Star and Night Star services, said BR had spotted the potential for an international rail express parcels service and set out to convince European railway systems that it was in their interests to take part.

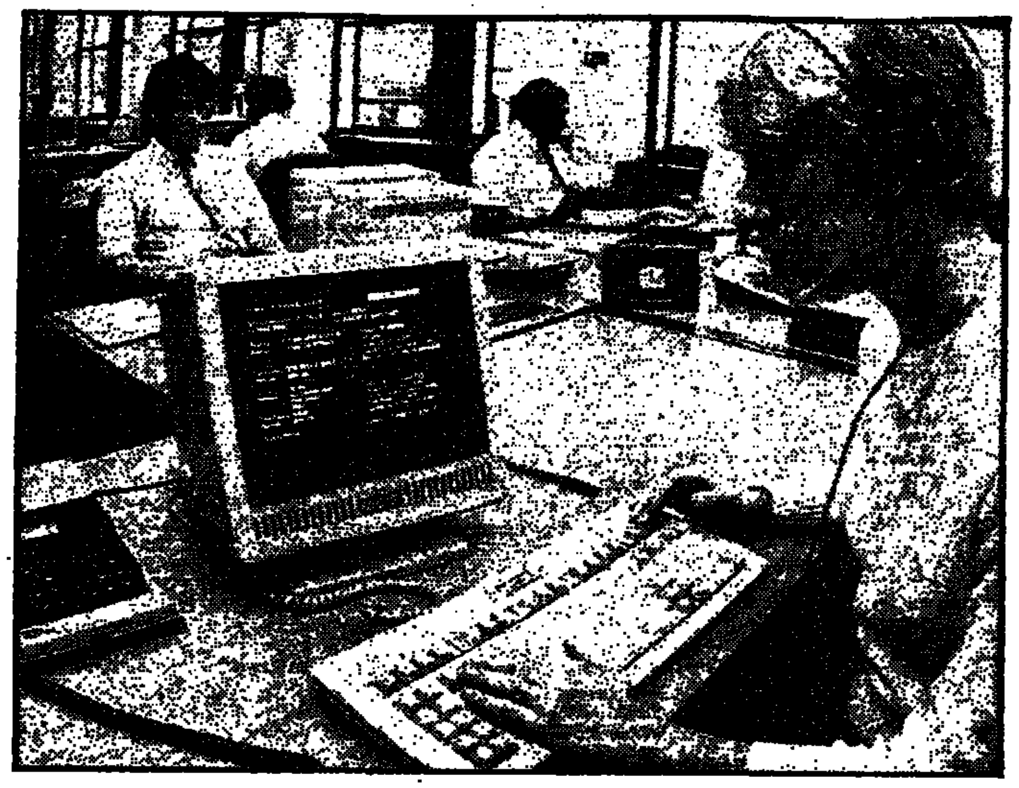
Mr Bonsor led a campaign to persuade European railway authorities to enter the system, aided by Mr Christian Maucq and Mr Jacques Bernaerts of the Belgian rail express service. One of the chief selling points of the system is the comparative efficiency of railways over medium distances because of the relatively dense pattern of stations compared with the distribution of airports.

Recently, Eurail switched from ferry services between Dover and Ostend to the use of an air link between Southend and Zaventem, near Brussels, which has full night operating facilities.

This had the immediate benefit that a value limit of BFr 36,000 on parcels entering the UK was removed because of the improved customs clearance procedures available at Southend Airport. Items exceeding the value limit were previously liable to delays, which meant Eurail was unable to guarantee next-day delivery.

Mr Bonsor said BR estimated the value of the international market for express parcels from the UK at about £200m, although no official figures were available. BR currently has only about one per cent of that market, but the corporation is forecasting annual growth in the total market of about 20 per cent a year, giving plenty of room for improvement in its market share.

**Kevin Brown**



London centre of Datapost, the Royal Mail's high-speed courier service

Selling goods with transport costs included should increase profits, says one study.

# Plea for 'delivered' price

BRITISH manufacturers could win a greater share of European markets if goods were delivered at a price inclusive of transport costs, according to a survey carried out by TNT-Ipec, the express freight carrier.

Mr Jerry Fitchett, director and general manager of TNT-Ipec, says the study supports his own conviction that a switch from free-on-board (fob) and ex-works pricing to a "delivered" system would make economic sense.

Selling on a delivered basis would allow exporters to benefit from the profit margin on transport services which currently goes to hauliers. In addition, large overall savings could result if a single transport operation could serve a number of separate customers on each run.

The system would also allow exporters to schedule transport services more accurately, possibly allowing both importers and manufacturers to rationalise stock holding and reduce storage costs.

Mr Fitchett says that a number of attempts during the 1970s to promote door-to-door delivery at an all-inclusive price had failed to take root because of a lack of proof that delivered pricing improved company performance.

According to the TNT-Ipec survey, two-thirds of respondents selling delivered experience an increase in sales and orders, and a corresponding increase in workload, he says.

It was also notable that many of the more successful European exporters sold on a delivered basis to the UK, freeing customers from the problems of arranging transport.

The TNT-Ipec survey indicates, however, that two-thirds of British exporters were resisting a switch to delivered terms, giving "tradition" as the main reason.

"Traditions are normally founded on at least a shred of wisdom or logic, but that is not the case in this issue. If British manufacturers were to take their blinkers off, they would find that selling fob to Europe made no real sense," Mr Fitchett said.

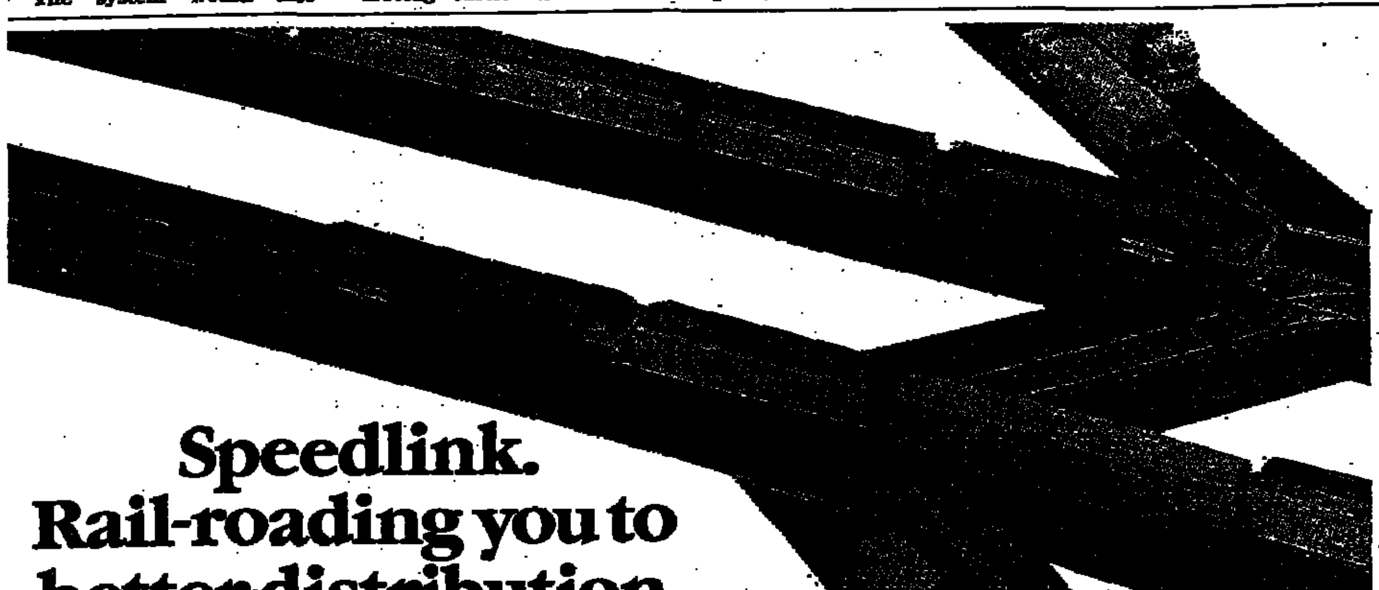
"Fob pricing is highly artificial, as few freight services have a natural break point at the British coast. And if it were not for the customs' insistence that fob values are declared on exports, one wonders whether the term would exist at all in modern European distribution.

"Britain's share of overseas trade in manufactured goods would significantly increase if more companies were to change to a door-to-door pricing system," he believes.

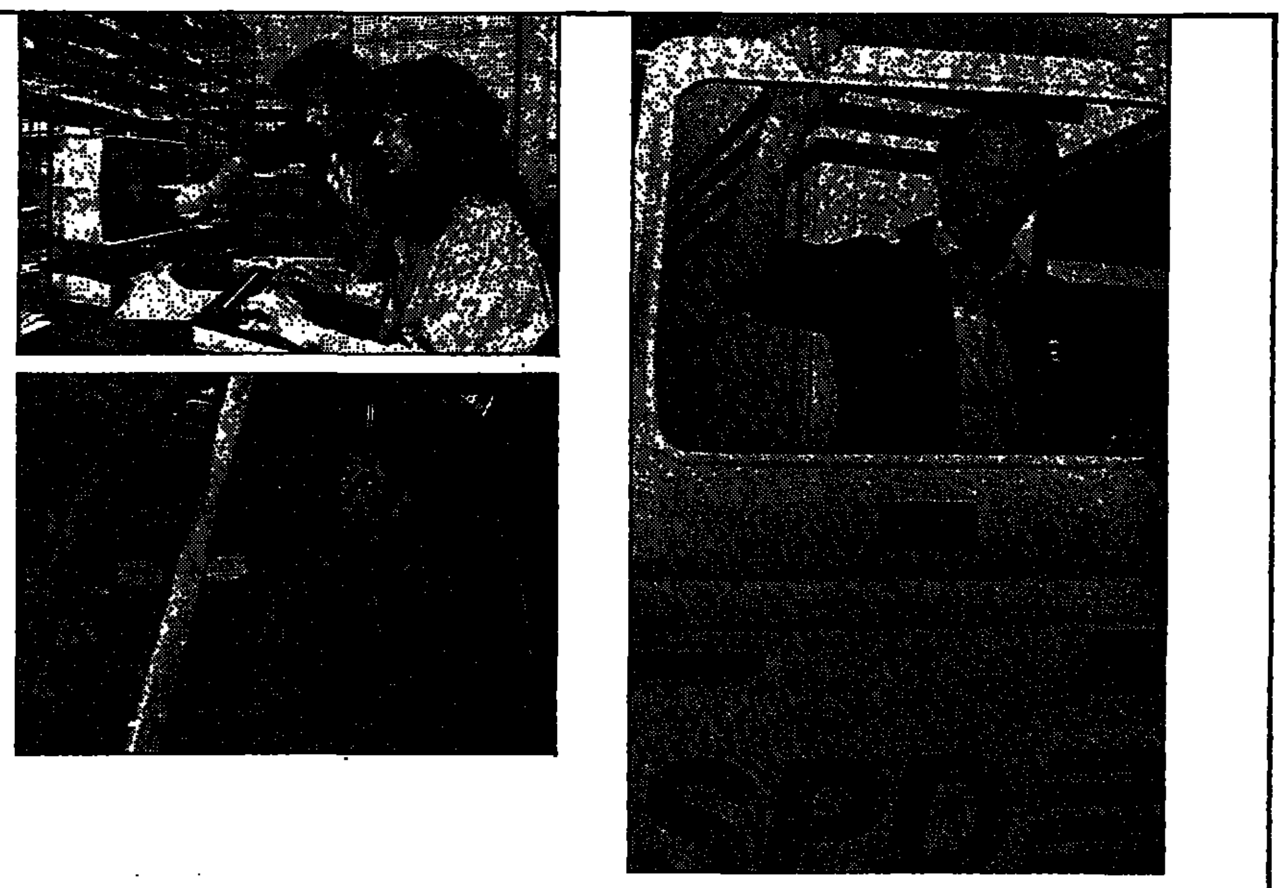
**K.B.**

Terry Fitchett: door-to-door commonsense









Direct Product Profitability

# Chasing the cost factors

APPLICATION OF a concept called DPP — Direct Product Profitability — could open up new opportunities for manufacturers and retailers to further improve thte efficiency of their distribution operations.

That, at least, is the view of certain consultants currently engaged in promoting the idea of DPP, a concept born in the US some 20 years ago but which has only recently started to catch on with the greater availability of computer systems to make the analysis of the information involved a more practical and viable proposition.

Basically, say proponents, DPP is a cost allocation or cost accounting procedure, defined as the net profit contribution from sales of products after all allowances are added and all gross margins are subtracted. In that context, distribution is seen as being just one of the factors involved. However, it is also now being suggested that DPP can be used to spotlight possibilities for improving the efficiency of distribution activities themselves.

"DPP analysis discloses the true cost of moving any individual product from raw materials stage to the consumer's shopping basket. It accurately attributes storage, handling, selling, administrative and other costs that have traditionally been averaged across a wide range of products," says a spokesman for UK consultancy company Davies and Robson, which has developed a DPP system which it says can be run on most popular microcomputers using software costing less than £3,000.

The rationale for adopting DPP, it is claimed, lies in the fact that many consumer products thought by company managements to be profitable may in fact be losing money.

**It is possible to determine, on the basis of the path along which the product flows through the network, the distribution cost of serving a specific customer.**

Elaborating on that argument, Mr Tim Knowles of consultants Davies and Robson says companies are traditionally operated on profits which were described in terms of gross margin per tonne, margins which hid a whole series of product-specific factors which could radically affect the net contribution of that product by the time it had been ordered, received, stored, sold, despatched, invoiced and paid for.

"It will almost certainly be the case that some very fast selling lines with low gross margins will produce a better net contribution than some very slow selling lines with high gross margins," Mr Knowles says.

To illustrate the most obvious factors occurring between manufacture or purchase and cash collection which could have an effect on gross margins in such a way as to provide a differential net margin for products with no gross differential, Mr Knowles produces the example in the table.

However, while consultants such as Mr Knowles see distribution primarily as one of the factors to be taken into account in a general DPP analysis, others believe the concept can be applied specifically to distribution operations.

Putting that case, Mr Frank Dell, New York-based principal of consultants Cresap, McCormick and Paget, which has offices in the US, UK and Australia, says most companies operate their distribution systems not from actual costs but from a budget which itself is determined from a forecast movement or sales figure.

"Where variances exist in the actual sales volume and thus the actual cost of distribution, it is exceedingly difficult to determine whether a good or poor job has been performed. It is therefore recommended that standard costs — the costs of bringing a product through the distribution system based on DPP — be compared with actual recorded expenses to determine which variances represent areas where the system operated at less than optimum efficiency," Mr Dell says.

For the typical package goods manufacturer, there were at least eight possible distribution paths which a product could take in moving from the manufacturing plans to a store. By using the DPP approach, it was possible to determine, on the basis of the path along which the product flowed through the network, the specific distribution cost of serving a specific customer. That in turn created an opportunity for a company to reduce its distribution costs.

DPP in the distribution context essentially comprises three groups of costs — warehouse, transport and retail.

On the warehousing side, the key to accurate costing is said to lie in tracking exactly how a product goes through the distribution system. For example, a product received by rail produces the additional cost of unloading during the receiving process.

"Therefore, to determine the true cost of an individual product, it is necessary to know exactly how it is received and processed through the warehouse or distribution centre," Mr Dell says.

Other factors to be taken into account as far as warehousing is concerned include direct labour, the costs of space and equipment, and the carrying cost of the product in inventory.

The direct product cost for transport, Mr Dell says, includes the direct cost of labour, equipment, fuel and supplies. In the food industry these were determined primarily by cubic capacity, not weight, because in moving from warehouse to store, most trucks tended to reach maximum load capacity on cube rather than weight.

On retail direct product cost, Mr Dell says the cost for the store consists of the same basic elements as for the warehouse — direct labour, occupancy and inventory. The one notable difference is that for retail direct product cost, the occupancy cost is based on display square feet or the plane the consumer saw, not the amount of cube.

DPP, Mr Dell says, should be used as a means of comparing costs and also of identifying opportunities for making cost savings.

To illustrate that point, he quotes the example of a US sweets wholesaler for which he recently carried out a study. By changing the location of some fast-moving products within the company's warehouse to cut down the time staff spent collecting them, a saving of some $25,000 a year had been achieved.

**Phillip Hastings**

### Factors affecting net margins

| | Product A | Product B |
|---|---|---|
| Value (£/tonne) | 1,000 | 850 |
| Weight per pallet (kg) | 850 | 650 |
| Average order size (kg) | 2,500 | 150 |
| Inventory level (weeks) | 2.5 | 4.5 |
| Rate of sale (tonnes/week) | 100 | 118 |
| Gross margin (mark-up) | 10% | 10% |
| Gross cash per week (£) | 10,000 | 10,000 |
| Net margin (mark-up) | 5.1% | 1.3% |
| Net cash margin (per tonne) | £51 | £11.05 |
| Net cash margin (£/week) | £5,100 | £1,304 |

Source: Davies and Robson.

**Factors that can come into play between manufacture or purchase and collection of cash to produce different net margins for products with the same gross margins are shown here. Though distribution is but one factor, DPP can be used to examine its efficiency and show where savings can be made**

# Expansion after the watershed

## Profile: NFC

THE LAST year has turned out to be something of a watershed for Mr Richard Lovell, the former managing director of NFC Distribution Group, part of the employee-owned National Freight Corporation.

It was Mr Lovell who guided the group through its first full year of operations in an environment described as "a genuine restructuring of part of British industry." But as part of the NFC policy of giving senior managers experience in all parts of the Corporation's business, he now finds himself head of the Pickfords removals and business travel subsidiary.

Before leaving for his new job, Mr Lovell announced that NFC Distribution Group had recorded £9m-worth of new business in its first full year, and claimed it was heading for 10 per cent of the UK distribution market by mid-1987.

This would imply a turnover of about £175m next year, an increase of 75 per cent on the current year, and a major expansion by any standards. So what is the rationale behind the formation of NFC Distribution Group, and what is the strategy *mapped out by Mr Lovell for* the immediate future?

The trigger for the creation of the group was Unilever's decision to withdraw from distribution by selling its SPD subsidiary. SPD was one of the biggest names in the industry, but its performance had been weakened in recent years by a trend among other Unilever subsidiaries towards handling their own distribution services.

Turnover had fallen from a peak of £120m seven years ago to about £60m at the time it was put up for sale. NFC bought the business to add credibility to its own BRS subsidiary, but found major economies were necessary to bring SPD into 1986 at break-even point.

Having acquired SPD, NFC embarked on a major reorganisation of its distribution subsidiaries, creating four discrete operating companies specialising in different areas of the industry.

These are SPD, which is strong in industrial and refrigerated distribution; SPD Contract Distribution, offering services to retailers; Carrycare, which specialises in high-value consumer goods; and GDS, supplying confectionery and small retail outlets.

In addition, NFC Consulting Group offers workstudy and computer systems advice to both in-house operations and outside companies.

Mr David Bell, general sales manager of NFC Distribution Group, said SPD, which provides shared distribution facilities from about 20 depots nationwide, accounted for about £7m of the increased business recorded last year, with a number of new contracts including Whitbread Take Home, Scottish and Newcastle Breweries, Kraft, and Pizza Hut.

The rest of last year's organic growth came from the Carrycare and GDS divisions, which each added about £1m to turnover.

Mr Bell said the group expected to add "significantly" to its dedicated distribution contracts in the coming year.

"Dedicated distribution contracts are multi-million pound deals which involve long and complex preparation to complete," he said.

"In the faster developed sectors of our business, growth has been visibly buoyant. Increasingly active selling for each of our three shared distribution companies is providing a steady source of new business, a situation reflected by their performance figures."

The scope for substantial expansion through growth of this kind is regarded as limited by Mr Lovell, however, and the strategy mapped out by him envisages a series of acquisitions designed to increase the scale of the business.

The increasing distaste for involvement in the distribution business on the part of non-specialists is regarded by NFC Distribution Group as an opportunity to expand turnover relatively cheaply.

The immediate focus is on the temperature-controlled sector. The group recently bought Alpine Refrigerated Deliveries, which includes Findus and Lyons Maid among its major customers, and is due to acquire the distribution activities of Birds Eye Walls at the beginning of next year.

Further acquisitions are expected next year as more medium-sized companies follow the trend towards divesting themselves of distribution operations. Mr Lovell says these transactions will be financed internally, rather than by direct borrowing.

Taking advantage of this process of disengagement can cause industrial relations difficulties as newly-acquired businesses are restructured, and obviously commits NFC to providing a better, cheaper service than was previously available to the parent company.

The second objective should usually be achievable for a distribution specialist, however; and NFC's employee ownership structure—which is always extended to cover acquisitions—gives it at least a head start in persuading employees to accept restructuring proposals.

**Kevin Brown**

# Emphasis on speed

CONTINUED FROM PAGE 1

According to Mr Richard Lovell, who until recently was managing director of NFC Distribution Group, these have brought about a "quantum leap" in stock rotation, stock control, loading and delivery schedules, allowing retailers to demand much more sophisticated distribution services, he says.

Mr Lovell believes that the future of the industry lies in stock list distribution, using the bar coding systems which have already become widespread in retailing and distribution. This will probably require manufacturers to maintain one or two major warehouses from which loads can be moved to retailers' consolidation warehouses and on to stores within 24 hours.

The market leader in the switch by retailers to consolidation warehouses has been the Sainsbury's group, which has about 20 distribution centres in England of which four, in the London and South-East, supply 45 per cent of throughput. Some are run direct by Sainsbury's, others by contractors, such as the £12.5m depot at Yate, near Bristol, operated by NFC.

Mr David Quarmby, director of distribution for Sainsbury's, says the development which made centralisation and the switch to contract distributors possible was the application of computer systems.

"What the systems enable us to do is control distribution through the information available, rather than having to do it ourselves," he says.

"With contract distribution we are able to control what goes on in our contract warehouses every bit as closely as we are able to control what goes on in the Sainsbury's-owned warehouses. They have all got computer systems, and we can sit at our screens in head office and interrogate them irrespective of whether it is a contract depot or a Sainsbury's depot."

Mr Quarmby says the opportunity to divert capital into more productive areas is a major reason for using contract distribution services.

"We are basically food retailers. We are very successful and profitable at that. We get a better return on the pounds we spend on developing supermarkets than we do on money we put into warehouses."

The switch by retailers into the use of contract distribution has created "a real market place in distribution services, Mr Quarmby says, and this is a new feature of the last five years or so. There has been a market place in transport over many years, but there has not until recently been a market for total, professional, distribution services, including both warehousing and transport."

On the technical side of the distribution industry, outside computer applications, there have been few major changes in the last year. Automated warehouses, sophisticated packing systems and sorting systems are available, and are in use in whole or in part in a number of operations.

The sheer amount of investment required has militated against the widespread introduction of such systems. In addition, the complex organisation of multi-customer warehouses often means that there is little scope for mechanised picking of goods.

At the new facility operated by Prism Logistics, for instance, there is widespread use of computer software for planning and organisation purposes, but the management says the technology is not available for flexible human pickers to be replaced by machines.

One area in which many distributors share great concern is the problems of exporting goods across international borders, particularly within the EEC.

The idea that Europe is currently a free internal trade area is described as "a farce" by Mr Richard Turner, director of planning for the Freight Transport Association. He says delays to road-hauled goods at EEC borders were "an effective restraint on trade, and on efficient transport operation."

EEC governments have agreed to phase out quantity licensing for road hauliers by 1992, and there have also been moves towards simpler customs formalities. So far, however, the only visible sign of progress has been erection of the blue and gold Community colours at border crossings.

In the absence of an early breakthrough, more significant progress appears still to be some years away.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday December 5 1986



# Deutsche Bank to pay bonus dividend on Flick sale profit

BY PETER BRUCE IN DÜSSELDORF

DEUTSCHE BANK, the biggest bank in West Germany, is to pay a bonus dividend to shareholders this year because of extraordinary profits from its flotation of the former Flick industrial empire.

The bank made DM 1bn ($507m) pre-tax profits on the flotation, which accounts for virtually all the 38 per cent growth in parent company operating profit for the first 10 months of the year.

Mr F. Wilhelm Christians, bank co-chairman, made it clear however, that the flotation was a one-off and that operating profit could not continue to grow at the same pace next year.

Although the bank is heading for record parent and group operating profits of around DM 4bn and DM 5bn respectively because of the sale, Mr Christians warned that if the Flick flotation was excluded, parent company operating profit for the first 10 months would have risen only 5.1 per cent.

Partial parent company operating profit, which excludes the bank's trading activities on its own account, rose 54.4 per cent to DM 2.42bn but would have risen only 2.5 per cent without Flick.

Deutsche Bank does not publish its operating profit, but it has never denied estimates that put it at DM 3bn for the parent and DM 4bn for the group last year.

Although Mr Christians would not say how much the bank planned to pay shareholders for this year, he said: "We intend because of this special result, to give ourselves and our shareholders a treat." The bank paid an unchanged DM 12 dividend in 1985.

His co-chairman, Mr Alfred Herrhausen, meanwhile, dismissed suggestions that the West German economy – forecast variously to grow at between 2 per cent and 3 per cent next year – was underperforming.

What was important was that the elements of recovery would remain intact. However, he warned against high pay settlements with trade unions. There would be only restricted opportunities next year to make "cost neutral" pay increases.

Every DM 1 increase cost an employer more than DM 1.50 and the employee never saw the full amount anyway.

Mr Herrhausen joined the many calls recently for the government's so-far vague DM 40bn tax reform plans for the 1990s to be speeded up. However, he said that the radical tax reform in the US was unsuitable for Germany because it placed too much tax burden on corporations.

Making the bank's political position clear in the run-up to January's general election, Mr Herrhausen said that he did not believe the tax reform would ever come if there was a change of government in Bonn.

● Mr Christians defended West Germany's light rules on insider trading.

"I see no reason to give up our self-regulation," he said in Düsseldorf, despite recent spectacular cases in New York and London. Insider trading is not a crime in West Germany, but most traders and quoted companies abide by a code of honour forbidding it.

It is not regarded as insider trading to buy or sell because of advance knowledge. The rules normally come into effect only during takeovers.

West Germany's stock exchanges each have a committee to investigate suspicious share price movements but they cannot use the police. Only three cases have been recognised officially in West Germany and the fines merely meant repaying the profits made in the "dishonourable" deal.

Mr Christians said the German system worked because, to a trader, "the threat of a loss of honour is more awful than the prospect of breaking a law."

# Italy says Telit 'must remain public'

By Alan Friedman in Milan

TELIT, the joint Italian telecommunications equipment company which could result from the proposed merger of the state-owned Italtel and the Fiat group's Telettra subsidiary, must remain "in public hands," Mr Clelì Darida, Italy's Minister for State Holdings, has declared. The minister said that the merged company must be majority controlled by the Italian Government because the telecommunications sector is of strategic importance to Rome.

The Italtel-Telettra merger talks have been under way for most of this year, with final valuations of the two companies now being completed by accountants Price Waterhouse and Arthur Andersen. The structure of Telit is likely to be 48 per cent Fiat-owned, 48 per cent owned by Mediobanca, the state-controlled merchant bank.

Mediobanca itself, however, is presently the object of complex discussions between state and private shareholders about the possibility of privatising the bank. Mr Darida said that if Mediobanca were privatised, then another state institution could take its place as a Telit shareholder.

Mr Darida's statement about control of the proposed telecommunications company is part of a growing public discussion of the merger plan. Earlier this week, Sweden's Ericsson expressed interest in opening talks with Telit, once the merger goes through, with the aim of achieving an international alliance.

The idea of merging Italtel, with 1985 revenues of L1,228bn ($888m) and Telettra, with L497bn of 1985 turnover, is to rationalise the sector and create an entity large enough to form international partnerships in the difficult telecommunications market.

The valuations being prepared are expected to show a substantial difference in value between Italtel and Telettra, and before a merger can go ahead on the basis of the presently proposed lines of ownership, Fiat and IRI-Stet must settle the amount of financial compensation which the Turin-based Fiat might be expected to pay to achieve parity with the state.

Yesterday, in Turin, Fiat said it was not its policy to comment on statements such as Mr Darida's.

# Coca-Cola unveils plan to repurchase up to 10m shares

BY JAMES BUCHAN IN NEW YORK

COCA-COLA, the world's biggest producer of soft drinks, yesterday pleased Wall Street with an announcement that it intends to buy back up to 10m shares and gear up on its equity base by as much as $1bn.

Yesterday's announcement follows the flotation of 51 per cent of Coca Cola Enterprises, its soft drinks bottling subsidiary, in the second largest public stock offering in US market history. The sale removed some $2.6bn in debt from Coca-Cola's balance-sheet.

Mr Roberto Goizueta, chief executive of Coca-Cola, said yesterday: "We have always viewed share repurchases favourably, and we believe that whenever our excess cash or debt capacity exceeds our near term needs, such an action is beneficial to our stockholders."

While the shares to be bought in amount to less than 3 per cent of its outstanding equity, the decision to increase the percentage of debt (net of cash) to 35 per cent of capital, against 25 per cent, appears to herald a large investment programme.

Adjusted for the sale of part of the bottling company, the actual level of net debt at the end of September "was only 8 per cent," Mr Goizueta said.

"An increase in the target net debt to capital ratio to 35 per cent represents additional borrowing capacity of over $1bn, even after completion of the share repurchase programme."

Mr Goizueta said that the additional resources would go to investments "within the company's existing lines of business." Mr Goizueta also said that the company would be retaining more profits in its equity base by reducing the dividend payout ratio from 50 to 40 per cent of earnings.

# Sige head resignation surprises markets

By Alan Friedman in Milan

ITALY'S financial world was shaken yesterday by the unexpected resignation of Mr Gianmario Roveraro, 50-year-old managing director of Sige, the fast-growing investment bank which is owned by the IMI state medium-term corporate finance group.

Mr Roveraro, who personally built Sige into a major player in the stockmarket in corporate finance, mergers and acquisitions, new issues and unit trust fund management, gave no reason for his sudden departure. Speculation in Milan centred around a likely clash of personalities between the low-key Mr Roveraro and Mr Luigi Arcuti, chairman of IMI.

Mr Roveraro, a charismatic and conservative banker who has guided the growth of Sige since its inception 12 years ago, was known in Italian financial circles as "the gentleman banker". His sudden resignation is considered highly odd in light of the enormous success which Sige has been enjoying of late, even to the point of mounting a significant challenge to Mediobanca, the traditional leading Italian merchant bank.

Sige is this year expected to make a L61bn ($44.6m) profit, more than double the 1985 level.

Sige has 200 employees and last year handled L44,000bn in transactions.

# Credit Lyonnais details plan to restructure

By George Graham in Paris

CRÉDIT LYONNAIS, the French commercial bank, yesterday announced a major restructuring of its activities in a bid to prepare itself for privatisation.

The bank, which wednesday launched a FFr 1.5bn ($232m) perpetual floating-rate bond to boost its capital resources, is to regroup its activities into three main divisions: personal banking, corporate banking and a new capital markets division to be headed by Mr Philippe Souviron, formerly head of Crédit Lyonnais's US operations.

Mr Jean-Maxime Levêque, Crédit Lyonnais's new chairman, also announced the creation of a new financial directorate including a team to prepare the group's privatisation. The team will be headed by Mr François Gouyou Beauchamp, until now head of Crédit Lyonnais Canada.

Mr Levêque has made no secret of his ambition that Crédit Lyonnais be the first commercial bank to be privatised, and yesterday he pressed for an early flotation to replace that of Assurances Générales de France, whose privatisation has had to be delayed because of difficulties over valuing its portfolio.

The ebullient Crédit Lyonnais chairman risks the irritation of the French Treasury, however, by his continued pressure. A senior Treasury official commented that Crédit Lyonnais was "not first on our list, nor second, nor even third."

Crédit Lyonnais is also creating a new subsidiary to manage its investment shareholding. The company will begin with a portfolio of nearly FFr 10bn of industrial holdings and will both manage the group's portfolio and provide an equity finance fund for the banks clients.

# USX raises $526m following Aristech Chemical flotation

BY WILLIAM HALL IN NEW YORK

USX, the parent of the big US steel and energy concern which is being pursued by Mr Carl Icahn, the corporate raider, has raised $526m following the succesful stock market flotation of Aristech Chemical, its former chemical operations.

USX had announced in October that it planned to spin-off its entire chemicals business as part of a restructuring plan designed to enhance shareholder value and help defend the company from the unwelcome overtures of Mr Icahn, who had offered to buy USX for $31 per share.

His bid has lapsed but Mr Icahn still holds an 11.4 per cent stake in the company and Wall Street is waiting to see whether he will reactivate his offer at a lower price or try to sell his shares back to the company at a profit.

In the early stages of the battle USX shares rose to $28¾ but in recent weeks they have been falling and for a time have been trading below the $22.20 average price he paid for his USX stake. The shares rose by $⅝ to $22¼ in early trading yesterday.

USX announced yesterday that it had completed the transfer of USS Chemicals division to Aristech and the underwritten public offering of Aristech shares, at $17.75 per share, had been closed. Of these shares 22.5m were sold by USX and 3.375m new shares were sold by Aristech which raised an additional $58m as a result.

The Aristech shares were sold in simultaneous underwritten public offerings in the US and Europe.

Aristech shares rose by $¼ to $18⅜ in early trading yesterday.

Aristech has 11 manufacturing plants.

Mr Thomas Marshall, Aristech's chief executive and former president of USX's U.S. Diversified group, said yesterday that the company will continue to manufacture and market the same wide range of chemicals and polymers as did USS Chemicals.

The company has recruited several outside directors for its board including Mr Ronald Compton, chief executive of American Re-Insurance, Mr Thomas O'Brien, chief executive of PNC Financial Corporation, and Mr Charles W. Parry, chief executive of Aluminium Company of America.

# Carlsberg's UK sales lift United Breweries

BY HILARY BARNES IN COPENHAGEN

CARLSBERG'S growing sales of lager in the UK from beer brewed at the Carlsberg brewery in Northampton contributed handsomely to the profits of the Danish brewing group, United Breweries, in the year ended in September, according to the annual report.

Net profits at the Northampton brewery were up from £14.1m to £20.3m. Converted at the average exchange rate for the period this equals DKr 253m ($34m) which compares with group net profits of DKr 375m. No sales figure for the Northampton brewery is provided.

United Breweries attributes the result to the general switch away from traditional beers to lager in the UK, which has contributed to an increase in sales.

The group is planning to increase its brewing interests abroad, both by buying up existing breweries in several markets, and by setting up new breweries. It will also invest considerable sums in marketing and capacity expansion at its existing foreign breweries.

In addition to its breweries in Denmark and the UK, the Danish group owns breweries in Italy and Spain, as well as Turkey, Hong Kong, Malaysia and Malawi.

Total sales of beer abroad were last year 10.6m hectolitres, while beer sold in Denmark totalled 4.8m hl. But the value of beer and mineral waters sold by the Danish breweries was DKr 3.34bn, compared with DKr 2.5bn for sales by the foreign breweries.

Sales from the group's non-brewing interests last year were DKr 3.2bn. This includes sales of DKr 1.3bn by Royal Copenhagen, the industrial arts and design group and DKr 1.49bn by Danish Cold Stores.

# Cap Gemini to buy Italian group

By Our Paris Staff

CAP GEMINI Sogeti, the French computer services group, has bought an Italian data processing company to complete its European network.

The French group is taking an 80 per cent stake in Milan-based Gestione Dati, which provides computer services to industry and local government, and will move towards 100 per cent control over the next few months. Ge-Da's turnover in 1986 is estimated at L25bn ($18m).

# CIBC net income falls to C$341m

By Bernard Simon in Toronto

CANADIAN IMPERIAL Bank of Commerce, the last of Canada's six big banks to report fiscal 1986 results, suffered a drop in net income to C$341.2m (US$247m) or C$2.31 a share, in the year to October 31, from C$361.2m or C$2.93 a share a year earlier.

CIBC is the largest creditor of the ailing Calgary oil and gas producer Dome Petroleum, and problems in its energy portfolio are evident from the bank's financial results.

# Du Pont stake helps Seagram raise profits

BY ROBERT GIBBENS IN MONTREAL

SEAGRAM COMPANY, the distilling group controlled by the Edgar and Charles Bronfman interests, says spirits and wine demand in the US market continued to lag in the third quarter, but the company benefited from higher earnings by Du Pont Company.

Seagram's third quarter net profit was US$114.3m or $1.20 a share, up from $111.1m or $1.21 a share on fewer shares outstanding a year earlier. Revenues from the drinks business were $868m, against $810m, and profit was $43.5m against $57.4m.

However, dividend income from Seagram's 22.5 per cent interest in Du Pont was $37.9m against $37.6m and equity in Du Pont's unremitted earnings was $33.6m against $17.8m.

In the nine months Seagram's overall earnings were $330.5m or $3.47 a share against $240.7m or $2.62 a share.

The drinks business had sales of $2.3bn against $2.1bn and profit of $79.2m against $99.1m. Dividends from the Du Pont Holding were $113.7m against $112.9m and equity in Du Pont's unremitted earnings $139.8m against $34.3m.

# Holiday plans hotel sale to raise $700m

By Our New York Staff

HOLIDAY CORPORATION, the world's largest hotel group, which last month announced a massive restructuring in order to avoid an unwelcome takeover bid, plans to raise $700m in after tax proceeds by selling 110 hotels.

The sales of the hotels and $200m of other non-hotel properties is part of the group's plan to reduce the heavy debt load which it is taking on as part of its $2.8bn recapitalisation plan. Under the plan, Holiday shareholders will receive a cash distribution of $65 per share in the form of a special dividend and retain ownership of approximately 90 per cent of the company.

Mr Michael Rose, Holiday's chief executive, said yesterday that the group's $2.7bn of debt immediately after the recapitalisation should be reduced to $1.7bn by the end of 1989 and $1.4bn at the end of 1991.

He said that the planned sales of hotels was in line with the company's increasing emphasis on growth through franchise and management arrangements. As a result of the lower number of company-owned rooms, hotel operating income is projected to be $131m in 1987 and to be roughly the same through 1989. The operating income of the group's gaming business is projected to increase to $123m in 1987

The group expects net income, including asset sale gains, to be $60m in 1987 and remain at approximately that level through 1990, with an increase to $85m in 1991. The figures reflect pre-tax asset sales gains of $150m in 1987 falling to $90m in 1989.

# INTERNATIONAL COMPANIES and FINANCE

**Terry Dodsworth** looks at the Japanese company's European ambitions

## NEC plots long-term chip strategy

NEC of Japan's recent decision to put £80m ($114.7m) into a new semiconductor fabrication plant at Livingston in Scotland is a clear sign that a new chapter is opening in the European chip industry. It indicates that the Japanese are prepared to brush aside the immediate problem of low or zero profitability in the semiconductor industry in return for a long-term stake in Europe; and it will increase pressure on the feeble indigenous European manufacturers as well as the embattled Americans.

The build-up of Japanese chip manufacturing in Europe has come over a reasonably short period of time. NEC, which last year inched ahead of Motorola of the US as the largest semiconductor producer in the world, established its first office in the UK as recently as 1977. It has started in West Germany only six years before. Nine years ago, its British sales amounted to only £600,000 ($858,000); this year, they will rise to about £50m, while in the whole of Western Europe they should amount to approximately £250m.

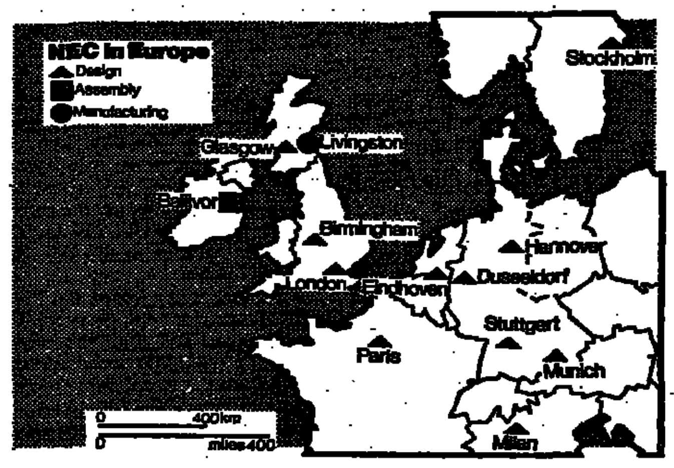
These sales figures mean that NEC is now taking roughly 3 to 4 per cent of UK and West European markets. At this level of penetration, the company might well be hard put to justify a policy of local manufacturing, particularly in the low value-added memory chips which are virtually commodity items these days, and which depend for their profitability on the economics of large-scale production. NEC, however, has its reasons:

First, the Japanese group is intent on pushing up its local market share over the next four to five years to between 7 and 10 per cent. At these sort of levels manufacturing in Europe will begin to make sense economically.

The new Livingston fabrication line is designed for a throughput of about 6m chips a month, enough to support the established assembly operations of both its existing three-year-old Scottish plant, and its Ballivor assembly facility in Ireland. By 1990, if the market grows by the 20 per cent a year compound that some forecasters are predicting, the company may be considering another fabrication line. "The whole philosophy is to make Livingston into the supplier plant for Europe," says Mr Robert Giddy, general manager of NEC UK.

Second, as NEC's position in the EEC strengthens, it will become more important to the company to avoid the barriers on imports erected by the EEC. One of these is the 14 per cent tariff on all semiconductor imports, which is borne equally by all foreign companies exporting to Europe.

Another, an increasingly important limitation for the Japanese, is the local content rules being imposed on Japanese consumer electronics producers setting up in the EEC. These companies, manufacturing items such as video cassette recorders, televisions, electronic typewriters and motor cars, commonly have to show that 60 per cent of their products are made in the EEC. Japanese semiconductor groups clearly have a much better chance of maintaining their business with these customers if they also manufacture locally.




Third is the currency issue, which has become much more vital to Japanese companies following the sharp rise in the yen over the past 18 months. Some analysts believe that this factor caused NEC to bring forward its Livingston plans earlier than originally envisaged.

Fourth, there are some marketing advantages for NEC in having a European manufacturing facility close to the point of sale in the EEC. The characteristics of the European market are somewhat different from those of Japan, where the main volume of sales is in chips for the consumer electronics industry, where Japanese products have swept the world. In Europe, a market about half the size of Japan's at an estimated $5.2bn this year against $10.6bn, the emphasis is more heavily on personal computers and telecommunications products.

"If we control the factory we can get the products to the market faster and satisfy customer requirements more easily," says Mr Adam Harris, marketing and planning manager of NEC UK.

NEC is also trying to move closer to its customers in one other respect. Over the past two years, the company has begun to pump money into the development of semi-custom products — chips which have some characteristics which are specific to a particular client. Called Application Specific Integrated Circuits (ASICs), these semiconductors now represent the most dynamic part of the market. According to Mr Harris, NEC expects about 19 per cent of the world sales in semiconductors to be captured by ASIC products by 1990, and as much as 21 per cent in the UK.

Investment in this sector is going into design centres where clients can "customise" their chips — a process in which some key items on the semiconductor are adapted to specialised needs, while the rest is built to a standard pattern.

Because ASICs currently account for less than 10 per cent of the chip market, it will probably not make sense for NEC to make these products at Livingston for some time. But in due course, Europeans can expect to see NEC developing a full spread of product manufacturing for the EEC; and where NEC leads, other Japanese companies may not be far behind. Both Hitachi and Toshiba are said to be considering fabrication plants to add to their own European assembly businesses.

## Zambian copper group's loss mounts

By Victor Mallet in Lusaka

ZAMBIA Consolidated Copper Mines (ZCCM), the mainstay of the Zambian economy, suffered a sharply wider net loss of 146m kwacha ($10m) for the three months to September, compared with K68m, and blamed a fall in copper production on continuing shortages of spare parts and materials.

The state-controlled company said copper production fell to 114,233 tonnes from 116,228 tonnes in the June quarter and 118,175 tonnes in the comparable three months of 1985. Cobalt production of 868 tonnes was down 28 per cent from a year earlier and lead production fell 24 per cent to 1,798 tonnes.

ZCCM has been hard hit by the low world price of copper and by Zambia's chronic shortage of foreign exchange. The company has embarked on a five-year rehabilitation programme involving mine closures and redundancies in an effort to improve efficiency and boost falling production. Copper earns about 90 per of Zambia's foreign currency but reserves are nearing exhaustion and the mining industry is vulnerable to sanctions against South Africa

The average price for copper rose to K8.577 per tonne in the last quarter from K3,299 a year earlier, because of the depreciation of the Zambian currency. Metal trading profits rose to K111m from K30m but exchange losses, interest and tax brought about the net loss.

## BankAmerica to shut eight HK offices

BANK OF AMERICA is to close eight of its 11 retail offices in Hong Kong in a further move to streamline its operations, AP-DJ reports from Hong Kong.

It is to shed 160 of its 1,180 staff.

## New Zealand brewer ahead

LION CORPORATION, New Zealand's largest brewer, increased net profits for the six months to September by 33.8 per cent to NZ$18.9m (US$9.6m), AP-DJ reports from Wellington.

Sales rose 18.4 per cent to NZ$438.9m, while at the pre-tax stage earnings rose 52.5 per cent to NZ$33.6m.





## Bonuskor returns to profit

BY JIM JONES IN JOHANNESBURG

BONUSKOR, the troubled South African industrial holding company, shed most of its lossmaking interests and returned to profits in the six months to September.

Operating earnings before dividend income were R2.05m ($926,500) and the interim pre-tax profit was R3m. Turnover figures have not been disclosed.

The company is 41 per cent owned by Volkskas bank. Rembrandt, the tobacco group, and Lifegro, the insurance company, each hold 25 per cent.

First-half earnings per share were 14.2 cents and an interim dividend of 5 cents has been declared.

## Trading halted in Bombay

BY OUR BOMBAY CORRESPONDENT

TRADING on the Bombay Stock Exchange, India's largest, has been suspended from today because of what market authorities describe as abnormal conditions.

Share values fell further yesterday despite a suspension earlier in the week of forward trading. The BSE index of 30 leading issues fell 3.88 points to 486.70, bringing the decline to more than 10 per cent in the past four weeks.

In New Delhi a shareholder in Reliance Industries, the subject of much share speculation, has won a court order delaying a Rs 5bn ($381.1m) convertible bond issue on the grounds of volatility in its share price.

*All of these securities having been sold, this announcement appears as a matter of record only.*

# $1,047,068,308

# Safeway Stores Holdings Corporation

a newly formed corporation organized by

# Kohlberg Kravis Roberts & Co.

to effect the acquisition of

# Safeway Stores, Incorporated

**$750,000,000**
**11¾% Senior Subordinated Notes due 1996**
(Interest payable May 15 and November 15)

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**$250,000,000**
**12% Subordinated Debentures due 1998**
(Interest payable May 15 and November 15)

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**450,000 Shares**
**Adjustable Rate Cumulative Exchangeable Preferred Stock**

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**99,000 Limited Partnership Interests**
**Which Will Acquire and Hold Warrants to Purchase**
**13,928,000 Shares of Common Stock of**
**Safeway Stores Holdings Corporation.**

# Drexel Burnham Lambert
INCORPORATED

*November 1986*

# INTERNATIONAL CAPITAL MARKETS and COMPANIES

## W German syndicate feels chill

**Haig Simonian examines the after-effects of the opening up to foreign financial institutions of the exclusive West German syndicate that underwrites government bond issues**

THE WIND of change blowing through West Germany's Government bond market has taken on an autumn chill.

Over 90 West German and foreign financial institutions are jostling in the exclusive syndicate that underwrites German Government bond issues as a result of last June's decision to let 20 foreign banks join the club, composed until then exclusively of domestic institutions. While the debate about increasing the membership has died down, bankers are only now beginning to assess the consequences.

The pressures for expanding the syndicate from 73 German members were probably unavoidable — though by no means all the existing players were enthusiastic about the idea. Frankfurt could not isolate itself from the worldwide tide of financial deregulation, even if some outsiders still think the pace of change there seems slower than in some other financial centres.

The extraordinary degree of foreign interest in German Government securities was probably as important as the Bundesbank's wish to keep up with deregulation abroad in prompting the decision to expand the syndicate. Foreigners have been on a giddy West German Government bond buying spree, spurred partly by the prospect of foreign exchange gains and partly by earlier regulatory changes. As a result, foreign banks have become increasingly keen to share in what they have seen as their German counterparts' easy profits in selling bonds to investors abroad.

The decision in August 1984 to drop the 25 per cent withholding tax on bearer bonds set the ball rolling. Until then, non-German investors preferred to buy the far less liquid, but tax-free Schuldscheindarlehen — a form of semi-marketable syndicated loans. These hybrid government debt instruments, usually of five to 10-year maturities, can be traded two or three times during their lifespans.

Since the repeal of withholding tax, foreigners have switched wholeheartedly to the much more liquid, and consequently safer, government bond market. They bought a net DM16bn of federal bonds in the first quarter of 1986 against only DM6bn in the same period last year.

Some DM29-30bn of long-term federal government bonds reserved for foreigners have been issued so far this year, with one more issue on the cards before year end. By contrast, the Bonn government has raised only about DM21bn in other types of bond reserved for resident investors.

The sheer volume of foreign buying has altered sharply the relative shares of bonds and Schuldscheindarlehen in the West German Government's overall borrowing mix, to the expense of the latter. From a position of approximate parity, their share is expected to fall well below 40 per cent of gross government borrowing this year.

Moreover, foreign bond buyers have been taking a larger share of a smaller cake. Mr Kohl's conservative government has been tightening its belt, with the result that net new public borrowing has declined sharply from a 1981 peak of DM 70bn to an estimated DM 40bn this year.

Complaints by West German members of the bond syndicate about dilution have been attenuated by the decision to raise the size of each regular government long-term bond issue from DM 2.5bn a year ago to DM 4bn.

Longer-term developments may be more ominous, however. The fact that increasing numbers of non-German investors are buying up West Germany's federal government debt is not, in itself, a cause for alarm. The Bundesbank has often had to cope with the effects of foreign demand in the past, most frequently for the currency itself. Also as portfolios are diversified, foreign investors are playing a larger part in a number of national debt markets, notably the US.

But whereas the US Treasury has become increasingly dependent on foreign purchases to finance the budget deficit, West Germany's economic fundamentals are wholly different. "The two countries are mirror images of one another," says Mr Juergen Mann of Morgan Guaranty in Frankfurt.

Many economists recognise that the West German Government is issuing bonds partly to meet the foreign demand. That may be very well for the moment, but bankers are already growing concerned about the prospects of a massive sell-off should foreigners become much less bullish about the Deutschemark.

The upsurge in foreign buying has also upset traditional yield relationships between different types of German financial instruments. Yield differentials between government bonds and Schuldscheindarlehen tend to be volatile as the latter are often used as assets by banks issuing communal bonds.

The effect of foreign buying has been most striking in terms of differing yield margins between long-term government bonds and those issued by banks. These have widened dramatically from the traditional 20-40 basis points to up to 120 basis points this year as a result of the foreign investors' concentration on government issues.

The poorer yields of between 6-6½ per cent for long-term public sector bonds mean domestic investors have turned away from the market to look for higher returns elsewhere. They have partly found them in similar quality issues from banks and mortgage banks issuing communal obligations, which foreign investors, new to the West German market, have tended to overlook. But more often, the beneficiaries of West Germany's estimated 1986 DM 75bn current account surplus have opted for short-term assets abroad, be they US Treasury Bonds or high coupon Euromarket issues.

## Canada eases rules on dealer ownership

BY BERNARD SIMON IN TORONTO

CANADIAN BANKS and trust companies are to be allowed, for the first time, to take full control of domestic securities dealers. But wider participation by foreign firms in the Canadian securities industry is to be delayed, under new rules prepared by the Ontario Government.

The latest regulations, which were leaked to the local press before yesterday's formal announcement, will dramatically close the gap between the four "pillars" which have characterised the Canadian financial services industry, namely banks, trust companies, insurance companies and securities dealers. They are expected to lead to formal alliances between several of Canada's best-known financial institutions.

The concessions to the banks and trust companies differ markedly from proposals outlined earlier this year. They reflect a growing awareness in Canadian Government circles that the six big domestic banks should have access to corporate underwriting and distribution of securities if they are to stay abreast of other multinational financial institutions.

The Ontario Government, which regulates the Toronto-based securities industry, and the federal government, which supervises the banks, agreed on the rules earlier this week.

Ontario authorities proposed last June that the banks should be allowed no more than a 30 per cent stake in securities dealers. At the same time, it suggested that a limited number of foreign firms should be licensed in Ontario and that the ceiling on single foreign shareholdings in Canadian dealers should be lifted from 10 per cent to 30 per cent.

The provincial government was expected to announce that the concessions to foreign interests originally due to be implemented on January 1 — will be delayed for a year.

Pressure on the authorities to allow banks full access to the securities industry became irresistible last month when Bank of Nova Scotia said that it had taken advantage of a relaxed regulatory climate in Quebec and a loophole in the Federal Bank act to set up a wholly-owned, full-service securities dealer.



## London said to lead in global market

By Roderick Oram in Boca Raton, Florida

LONDON HAS "leapfrogged over the US and Japan" to become the best positioned market to capitalise on the globalisation of the securities industry, Mr James Robinson, chairman of American Express, said yesterday.

With the revolutionary changes wrought by Big Bang, London had bravely taken on the risks of thrusting itself to the forefront, he told the annual meeting of the US Securities Industry Association.

In contrast, the US "had failed to face the reality" of the fast changing financial markets. After six years of debate in the US Congress over the Glass-Steagall Act and other regulatory measures, "nothing had changed in law although there was constantly change in the marketplace."

He blamed Congress's inability to act on the lobbying of special interest groups intent on maintaining the present status quo, which separates commercial banks from investment banks among other demarcations.

"Congress must rise above parochial interests and unshackle the financial services industry from existing regulations where they serve no real purpose," Mr Robinson said.

Existing rules were the "regulatory version of the Maginot Line which had little effect in curbing those companies "with the resources to outflank the defences."

Bold actions by some firms have already changed the nature of the business so the "securities industry should get its act together" to ensure that a more realistic environment is established. Banking, insurance and securities firms should have equal opportunity to offer financial products to the public.

Although the entry of new players into the market would pose considerable challenges to existing firms, the resulting competition would re-establish the US industry's competitiveness in global terms.

Mr Robinson's view of the Glass-Steagall Act, which was originally drawn up in the 1930s to separate commercial banking from investment banking, was shared by Mr Frederick Joseph, chief executive of Drexel Burnham Lambert, a leading Wall Street investment firm.

The Act has become like a piece of "Swiss cheese" as many of its provisions have been weakened by the aggressive exploitation of gaps by financial groups.

## Henderson Land arranges paper facility

HENDERSON Land Development is planning a HK$300m commercial paper programme.

The five-year facility will allow Henderson Properties Finance Ltd, its wholly-owned subsidiary, to issue three-month discounted bills of exchange through competitive bidding.

The underwriting margin is set at ¼ percentage point over three-month Hong Kong interbank offered rate, Hibor. The underwriting fee is ¼ per cent per annum.

Lead managers Paribas Asia Ltd and American Express International Banking are recruiting co-managers to underwrite the facility

Reuter





## Demand continues to grow for fixed-rate Eurobonds

BY ALEXANDER NICOLL

FIXED-RATE dollar Eurobonds yesterday continued to ignore the turmoil in the floating-rate note sector, and met a growing amount of demand from retail investors.

Secondary market prices rose modestly, with investors' interest appearing to extend into longer maturities than has been seen of late. The primary market continued to absorb new paper even though some of this week's deals have met an unwelcoming response because of their pricing.

*Three straight dollar bonds* were launched. Toyo Trust International led its first Eurobond issue, a $100m deal for **Toyo Trust Asia** with the guarantee of Toyo Trust and Banking, its parent.

The five-year issue carries a coupon of 7⅞ per cent and a price of 101⅞, giving a spread over US Treasuries at launch of 80 basis points. It was partially placed in Tokyo early in the day and was being quoted by the lead manager at discounts equal to the total fees.

**City of Oslo**, a triple-A rated borrower, made a $150m issue led by Bank of Tokyo International. The 10-year issue was priced at 101½ with a coupon of 7⅞ per cent and had a spread over Treasuries of 75 basis points. The deal was seen by most dealers as *quite sensibly* priced and was quoted within its fees.

**Mitsubishi Corporation Finance**, the UK financing subsidiary of Mitsubishi, raised $150m with a five-year issue led by Morgan Guaranty. The issue lacks a parent company guarantee, but is supported by a "keepwell" agreement under which Mitsubishi undertakes to maintain majority ownership of the issuer and to keep its net worth positive.

The deal, with a 7½ per cent coupon and a price of 101½, was launched at a margin over

INTERNATIONAL BONDS

Treasuries of 64 basis points, and was viewed as too tightly priced given the lack of a parent company guarantee, which would have given it a triple-A rating. It was quoted at discounts wider than the total fees.

Among other recent deals, the $247m issue for **European Atomic Energy Commission** was languishing well outside its fees, but the $175m deal for **Societe Nationale des Chemins de Fer**, launched late on Wednesday, met a reasonable reception.

A convertible Eurosterling issue was launched for **Next**, the expanding UK clothing retailers, by Salomon Brothers International. It met a warm response and terms were quickly fixed with an increase in the amount from £40m to £48m, the most the borrower could issue without specific shareholder approval.

The 15½ year deal, which was trading well above its par issue price, was assigned a 6¾ per cent coupon, the low end of its indicated range, and a 23.3 per cent conversion premium at the high end of the early range.

In Switzerland, bond prices were little changed but in quite active business. The SFr 175m 10-year issue for **Inter-American Development Bank** was set with a 5 per cent coupon and a price of 99½ by lead manager Union Bank of Switzerland, which had previously indicated 5 per cent.

The SF 165m issue for **General Motors**—priced at par and not 100½ as was originally reported by the lead manager—was going well.

A SFr 50m private placement with equity warrants was launched for **Takashimaya**, a Japanese department store group, with a maturity of five years and indicated yield of 2¼ per cent, led by UBS.

In West Germany, bond prices were narrowly mixed in thin trading.

## Yves St Laurent raises $465m

BY OUR EUROMARKETS CORRESPONDENT

YVES ST LAURENT, the French cosmetics and fashion group, is raising $465m to finance its acquisition of Charles of the Ritz from Squibb, the US pharmaceuticals group.

Details of what is understood to be a complex package of credit facilities were not disclosed yesterday. It is being arranged jointly by four banks: Credit Suisse First Boston, Banque Indosuez, Banque Nationale de Paris and Credit Suisse.

The deal is one of a clutch of new loan deals currently emerging. Prudential Insurance of America and its financing subsidiary Prudentail Funding have mandated Swiss Bank Corporation International to arrange a $400m facility to be syndicated among non-US relationship banks.

The four-year facility will allow the borrower to draw Eurodollar and swingline advances as well as providing an uncommitted option to invite bids for advances in other currencies.

The commitment fee on undrawn amounts will be 5 basis points fo rthe first two years and 7½ thereafter. The margin on drawings will be 17½ basis points above London interbank offered rates.

The Cheltenham and Gloucester Building Society has become what is believed to be the first building society to arrange a financing which allows it to borrow in a currency other than sterling. This will be allowed from January 1, when a new law governing building societies comes into effect.

It has mandated Citicorp as dealer for a £100m Euro-certificate of deposit programme with an option to issue CDs in dollars from January.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 4

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amer. Express 7⅝ 93 | 100 | †97¾ | 98¼ | +0¼ | +1 | 8.12 |
| Australia Com. 11 95 | 200 | 116¼ | 117 | +0¼ | +0⅛ | 8.19 |
| Australia Com. 11¼ 00 | 100 | 116¼ | 116¾ | 0 | +0½ | 9.07 |
| BP Capital 9⅛ 94 | 100 | 106¼ | 106¾ | +0⅛ | +0½ | 7.90 |
| British Telecom 7⅞ 96 | 250 | 97½ | 98 | −0¼ | +0¼ | 7.96 |
| Campbell Soup 10½ 95 | 100 | 112⅞ | 113⅛ | −0¼ | 0 | 8.32 |
| Canada 9 96 | 1000 | 107⅛ | 108¼ | +0⅛ | +0¼ | 7.76 |
| Canadian Pac. 10¼ 93 | 100 | 109⅝ | 110⅛ | 0 | −0¼ | 8.60 |
| CCCE 7⅛ 91 | 113 | 99½ | 100 | 0 | +0¼ | 7.18 |
| Citicorp 8¼ 93 | 200 | 98 | 98½ | +0⅛ | +0⅛ | 8.59 |
| Credit Lyonnais 9 91 | 200 | 105¾ | 106⅛ | 0 | +0⅛ | 7.32 |
| Credit National 9⅛ 93 | 150 | 106⅛ | 106⅞ | −0¼ | +0¼ | 7.73 |
| Credit National 7¼ 91 | 150 | 99¼ | 100¼ | −0⅛ | +0¼ | 7.25 |
| Denmark Kingdom 7¾ 93 | 250 | 99⅞ | 100¼ | −0⅛ | +0¼ | 7.74 |
| Denmark Kingdom 8¾ 91 | 100 | 103⅛ | 103⅝ | −0¼ | +0¼ | 7.34 |
| Deutsche Bank Fin. 8 98 | 110 | 98⅞ | 99⅞ | −0⅛ | +0⅛ | 8.18 |
| EEC 7 91 | 100 | 99½ | 100 | +0⅛ | +0¼ | 7.06 |
| EEC 8¼ 96 | 100 | 103⅞ | 103⅞ | 0 | +0¼ | 7.69 |
| EEC 8⅝ 91 | 150 | 105⅝ | 106⅛ | −0⅛ | −0⅛ | 6.96 |
| EEC 9⅝ 90 | 350 | 106⅛ | 106⅞ | 0 | +0¼ | 7.46 |
| EIB 10¼ 94 | 200 | 112½ | 113 | 0 | +0½ | 8.02 |
| EIB 12 95 | 200 | 124½ | 125 | −0⅛ | +0½ | 7.84 |
| Eurofima 7¾ 91 | 100 | 101¾ | 102¼ | 0 | +0⅛ | 7.22 |
| Export Dev. Con. 10 90 | 100 | 109½ | 110⅛ | −0⅛ | +0¼ | 6.75 |
| Finland 7½ 93 | 200 | 99⅛ | 99½ | −0⅛ | −0¼ | 7.64 |
| Ford Motor Cred. 10½ 91 | 150 | 110⅝ | 111⅛ | 0 | +0½ | 7.76 |
| Ford Motor Cred. 11⅜ 90 | 100 | 110¼ | 110¾ | −0⅛ | +0¼ | 7.54 |
| Gen. Elec. Cred. 10¼ 00 | 200 | 107⅛ | 107⅞ | 0 | +0⅛ | 9.22 |
| GMAC 10¼ 89 | 200 | 107⅛ | 107⅞ | 0 | −0¼ | 6.80 |
| GMAC 8½ 93 | 200 | 103 | 103½ | −0¼ | +0¼ | 7.83 |
| IADB 9⅞ 95 | 200 | 111½ | 112 | −0⅛ | +0¼ | 8.00 |
| Liberty Mutual 8½ 96 | 150 | 101½ | 102⅛ | 0 | +0¼ | 8.22 |
| LTCB of Japan 8 91 | 100 | 102½ | 103 | 0 | +0⅛ | 7.27 |
| Merrill Lynch 8¼ 91 | 100 | 104¼ | 105¼ | 0 | +0¼ | 7.51 |
| Merceds.-Benz Cred. 7½ 93 | 100 | 100⅞ | 101⅛ | 0 | 0 | 7.27 |
| Norway Kingdom 7¼ 91 | 500 | 100½ | 101 | 0 | +0¼ | 7.04 |
| Pepsico Inc. 7⅞ 93 | 200 | 98½ | 98⅞ | −0⅛ | +0⅛ | 7.69 |
| Philip Morris 7½ 91 | 100 | 99¼ | 99⅞ | 0 | +0½ | 7.59 |
| Qantas Airways 10⅛ 95 | 140 | 112⅛ | 112⅝ | +0¼ | +0¼ | 8.27 |
| Queensland Govt. 10¼ 95 | 100 | 111¼ | 111⅝ | +0⅛ | +0½ | 9.27 |
| Ralston Purina 11¼ 95 | 150 | †115¼ | 115⅞ | −0¼ | +0⅛ | 9.02 |
| Saab Scania 9½ 91 | 125 | 105⅞ | 106⅛ | 0 | +0¼ | 7.72 |
| Saskatchewan 10¼ 92 | 100 | 112⅞ | 113⅛ | +0⅛ | +0⅛ | 7.60 |
| State Bk. S. Aust. 9¼ 93 | 100 | 106⅛ | 106⅝ | +0⅛ | +0⅛ | 7.90 |
| Statoil 10 90 | 170 | 108⅛ | 108⅞ | 0 | 0 | 7.23 |
| S. Wales Trsy. 11¼ 90 | 150 | 112¾ | 113¼ | +0⅛ | +0⅛ | 7.27 |
| Swed. Exp. Cred. 10 92 | 100 | 111⅛ | 111⅞ | +0⅛ | +0½ | 7.33 |
| Sweden 8¼ 96 | 200 | 106 | 106⅛ | +0⅛ | +0½ | 7.79 |
| Sweden 10¼ 92 | 250 | 112⅝ | 113⅛ | −0¼ | +0¼ | 7.49 |
| Sweden Kingdom 10⅞ 90 | 200 | 111¼ | 111¾ | −0⅛ | −0⅛ | 6.97 |
| Sweden Kingdom 7 91 | 250 | 99 | 99½ | −0⅛ | +0¼ | 7.18 |
| Toyota Motor Cred. 8 89 | 100 | 103⅛ | 103¾ | 0 | +0⅛ | 6.45 |
| Victorian Rep. 11⅝ 92 | 150 | 115⅝ | 116¼ | +0⅛ | +0½ | 7.88 |
| World Bank 8½ 16 | 150 | †99½ | 100 | +0⅛ | +2¼ | 8.52 |
| World Bank 9¼ 16 | 300 | †103¼ | 103¾ | +0¼ | +1 | 8.90 |
| Xerox Credit Corpn. 7 91 | 100 | 99⅞ | 100 | 0 | +0⅛ | 7.14 |
| Yasuda Trust Fin. 8½ 93 | 100 | 102⅞ | 103⅛ | −0¼ | +0⅛ | 7.80 |

Average price changes on day 0 on week +0⅛

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 8 94 | 200 | *108½ | 108¾ | 0 | +1½ | 6.50 |
| Austrian Elec. Co. 6½ 95 | 250 | *100¼ | 100⅞ | 0 | +0⅛ | 6.42 |
| BMW 5¾ 96 | 200 | *91¼ | 92½ | 0 | +0⅛ | 6.38 |
| Daimler Benz Int. 5¾ 01 | 500 | *93 | 93¾ | 0 | +1⅝ | 6.46 |
| Dow Chemical 5⅝ 96 | 300 | *94⅛ | 95⅛ | 0 | +0⅛ | 6.38 |
| Dow Chemical 6¾ 95 | 300 | *102⅞ | 103⅛ | 0 | +0½ | 6.33 |
| EIB 5½ 98 | 150 | *93⅛ | 94⅛ | 0 | +1⅛ | 6.25 |
| EIB 6⅞ 95 | 300 | *104 | 104¾ | 0 | +0⅞ | 6.22 |
| EIB 7¼ 94 | 300 | *104⅞ | 105⅝ | 0 | +0¼ | 6.39 |
| Emhart Corpn. 6¾ 95 | 175 | *101¾ | 102⅛ | 0 | +1 | 6.48 |
| Eurofima 6¼ 96 | 100 | *100¼ | 100⅞ | 0 | +1 | 6.17 |
| Ex.-Im. Bk. Korea 7⅝ 90 | 100 | *103⅞ | 104⅛ | 0 | −0¼ | 6.24 |
| Finland Republic 7 92 | 200 | *103⅞ | 104⅛ | 0 | −0¼ | 6.06 |
| Hoesch Intl. Fin. 7 95 | 100 | *101¾ | 102¼ | 0 | +1 | 6.73 |
| Hydro Quebec 5½ 96 | 125 | *94¼ | 95 | 0 | +1⅛ | 6.27 |
| Hydro Quebec 6 16 | 150 | *87⅛ | 88¼ | 0 | +1 | 6.99 |
| IBJ 5⅝ 96 | 200 | *95⅛ | 95⅞ | 0 | +1 | 6.27 |
| Ireland 8⅛ 92 | 150 | *103⅞ | 103⅞ | 0 | −0¼ | 6.07 |
| I/S Elsam 6¾ 93 | 125 | †101 | 102 | 0 | +0¼ | 6.47 |
| Korea Dev. Bank 6⅛ 93 | 100 | *97⅛ | 98¼ | 0 | −0¼ | 6.96 |
| Mitsubishi M. 3⅛ 89 WW | 100 | *105¾ | 106½ | 0 | −2¼ | 1.15 |
| Mitsubishi M. 3⅛ 89 XW | 100 | *93⅞ | 95¼ | +0¼ | −0¼ | 5.12 |
| Renfe 7¼ 95 | 100 | *†106 | 107 | 0 | +0¼ | 6.71 |
| Soc. Cent. Nuclear 7¼ 95 | 150 | *100⅞ | 101⅛ | 0 | −0⅛ | 7.08 |
| Soc. Cent. Nuclear 8 91 | 100 | *105¼ | 105⅞ | 0 | +0½ | 6.55 |
| Storweg 5½ 96 | 100 | *93 | 93¾ | 0 | +0⅛ | 6.45 |
| World Bank 7 95 | 600 | *104¼ | 105½ | 0 | +0¼ | 6.21 |
| Yorkshire Intl. 6¼ 02 | 200 | †91 | 91½ | 0 | +0½ | 7.24 |

Average price changes on day +0 on week +0⅛

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev. Bk. 5⅝ 96 | 100 | †102 | 101¼ | +2¼ | 0 | 5.47 |
| Amer. Corp. 5⅛ 01 | 200 | †91¾ | 92 | −0½ | 0 | 4.11 |
| Baker Int. 4⅛ 96 | 200 | †87 | 87¼ | −3 | −3 | 5.93 |
| Carlsberg 5 96 | 80 | †99¾ | 100 | 0 | −2¼ | 5.02 |
| Chujitsuya 5¼ 94 | 50 | †102½ | 102¾ | 0 | 0 | 4.75 |
| Deutsche Bk. Fin. 5⅜ 95 | 100 | †106 | 106¼ | 0 | −1 | 4.46 |
| Gen. Occidentale 4½ 94 | 80 | †124 | 124¼ | 0 | +5 | 1.32 |
| Glendale F. S. & L. 5½ 95 | 100 | †100½ | 100¾ | −0¼ | −0¼ | 5.40 |
| Humana 5¼ 98 | 120 | †97 | 97¼ | 0 | +0⅞ | 5.47 |
| Ireland 5⅛ 94 | 150 | †101¼ | 101½ | +0¼ | +0¼ | 4.90 |
| Japan Dev. Bk. 5⅛ 97 | 100 | *†102⅞ | 102⅞ | 0 | 0 | 4.77 |
| Oberoi. Kftwk. 5⅞ 95 | 100 | *†103 | 103¼ | 0 | −0¼ | 4.90 |
| Olivetti Intl. 5½ 95 | 100 | †102½ | 102¾ | −0½ | −1½ | 5.11 |
| Pepsico 5¼ 95 | 130 | †103½ | 103¾ | +0½ | +0¼ | 4.71 |
| Phibro-Salomon 5⅛ 97 | 110 | †100½ | 100¾ | +0½ | 0 | 5.05 |
| Ralston Purina 5⅞ 94 | 125 | †101¼ | 102 | +0¼ | −1¼ | 5.08 |
| Settsu Euro. 0 01 | 100 | †44½ | 44¾ | −1 | −1¼ | 5.82 |
| US Steel 5¼ 96 | 200 | *84 | 84¼ | 0 | −4⅛ | 7.64 |
| USX Corpn. 5⅞ 98 | 100 | †93½ | 93¾ | +2½ | −1 | 6.54 |
| World Bank 5¾ 94 | 150 | †104½ | 104¾ | +0¼ | +0½ | 5.03 |

Average price changes on day 0 on week −0⅞

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amer. Expr. OS Cr. 5⅞ 91 | 20 | 100⅛ | 100⅞ | 0 | +0⅛ | 5.70 |
| Denmark 6⅛ 96 | 18 | 103⅛ | 104⅛ | 0 | +0⅛ | 5.82 |
| GMAC 5⅞ 91 | 60 | 98⅛ | 98⅞ | +0⅛ | +0½ | 5.77 |
| EIB 6⅛ 96 | 25 | 102⅞ | 103½ | +0¼ | +0⅛ | 5.80 |
| Sweden, Kingdom 5⅞ 95 | 20 | 98⅞ | 99⅛ | 0 | +0¼ | 5.79 |

Average price changes on day +0⅛ on week +0½

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amer. Ex. OS Cr. 0 91 AS | 100 | †58⅛ | 58⅞ | +0¼ | +0¼ | 19.11 |
| AB Electrolux 14½ 90 AS | 50 | 100⅛ | 101⅛ | 0 | +0¼ | 13.87 |
| Bremer Ldsbk. 12¼ 91 AS | 30 | 98¼ | 99¼ | +0⅛ | +0¼ | 12.92 |
| Fiat Finance 14½ 89 AS | 50 | 101¼ | 102⅛ | 0 | +0¼ | 13.51 |
| GMAC 12⅞ 89 AS | 40 | 98 | 99 | 0 | +0¼ | 13.53 |
| Landsbk. Rhein. 13 89 AS | 30 | 96⅞ | 97⅞ | +0⅛ | +0¼ | 14.28 |
| Canadian Pac. 10⅞ 90 C$ | 75 | †106 | 106½ | 0 | +1 | 8.38 |
| Chrysler Corpn. 10 91 C$ | 75 | †101⅞ | 102⅛ | 0 | +1 | 8.69 |
| Genstar Fin. 11⅞ 95 C$ | 75 | *†104⅛ | 105⅛ | 0 | +0⅛ | 10.82 |
| GMAC 9¼ 92 C$ | 75 | †103¼ | 104¼ | 0 | +1 | 8.29 |
| Royal Trustco 10¼ 90 C$ | 75 | †104⅛ | 104⅞ | 0 | +1¼ | 8.95 |
| Sears Acc. 10⅜ 92 C$ | 75 | *†106⅛ | 106⅞ | 0 | +0⅛ | 9.18 |
| Coca-Cola F. C. 17 90 N$ | 75 | †104 | 105 | −1¼ | +0⅛ | 15.25 |
| Denmark 17½ 89 N$ | 50 | *†104½ | 105 | 0 | +0¼ | 14.73 |
| Unilever Cap. 17½ 89 N$ | 50 | †105 | 106 | −1 | −1½ | 15.76 |
| Copenhagen City 9 95 Ecu | 40 | *101¼ | 102¼ | 0 | +1⅛ | 8.67 |
| EIB 8⅞ 93 Ecu | 100 | *104⅛ | 105¼ | 0 | −0¼ | 7.61 |
| Walt Disney 8¼ 94 Ecu | 62 | *104¼ | 104¾ | 0 | +0⅛ | 7.90 |
| Honda Mtr. WW 3⅞ 90 Fl | 100 | 107⅛ | 108¼ | 0 | −0¼ | 1.37 |
| Honda Mtr. XW 3⅞ 90 Fl | 100 | 93⅛ | 94⅛ | 0 | −0¼ | 5.97 |
| Thyssen 7¼ 90 Fl | 50 | 103¼ | 103⅞ | 0 | 0 | 6.16 |
| Wereldhave 7½ 90 Fl | 75 | 104¼ | 104¾ | 0 | +0¼ | 6.08 |
| Wessanen 6¼ 90 Fl | 50 | 102¼ | 102⅞ | 0 | −0⅛ | 5.99 |
| Australia Com. 11 92 £ | 40 | †96¼ | 96¾ | +0¼ | +0¼ | 11.89 |
| GMAC UK Fin. 10½ 90 £ | 30 | 98½ | 99⅛ | +0⅛ | +0¼ | 10.89 |
| Imp. Chem. Inds. 10 03 £ | 100 | 91⅞ | 92⅞ | +0¼ | +0½ | 11.04 |
| Imp. Chm. Inds. 10¼ 92 £ | 75 | †96¼ | 96¾ | +0¼ | +0¼ | 11.59 |
| Invst. in Inds. Int. 10 93 £ | 60 | †92⅞ | 93¼ | 0 | +1¼ | 11.99 |
| Leeds Bldg. Soc. 10⅛ 91 £ | 50 | †96⅞ | 97⅛ | +0¼ | +0¼ | 12.05 |
| McDonalds 10⅞ 90 £ | 40 | †97⅞ | 98¼ | +0¼ | +0¼ | 11.57 |
| Nationwide BS 10¼ 93 £ | 75 | †91½ | 92 | +0¼ | +0¼ | 12.03 |
| NSW Treasury 10⅝ 92 £ | 50 | 94⅛ | 94⅝ | +0⅛ | +0⅛ | 11.99 |
| Royal Insce. 10¼ 92 £ | 60 | 97⅛ | 98 | 0 | +0⅛ | 11.31 |
| J. Sainsbury 10⅞ 93 £ | 60 | 96⅞ | 96⅞ | +0⅛ | +0⅛ | 11.66 |
| Trusthouse Forte 11½ 90 £ | 50 | †97⅞ | 98⅛ | +0¼ | +0⅛ | 11.88 |
| World Bank 11¼ 95 £ | 100 | 102½ | 103⅛ | +1¼ | +0¼ | 10.71 |
| CoE 8⅞ 95 LFr | 600 | *104⅛ | 105⅛ | 0 | −0⅛ | 8.04 |
| EIB 8⅝ 93 LFr | 1000 | *†104¼ | 105¼ | 0 | −0¼ | 7.52 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alliance & Leic. Bldg. £ 94 | 0.08 | 99.23 | 99.38 | 20/1 | 10.08 |
| Australia & NZB Perp. | 0.015 | †96.75 | 96.85 | 30/10 | 6.15 |
| Barclays Bank Perp. 1 | 0¼§ | †98.75 | 98.85 | 2/1 | 7.06 |
| Barclays Bank Perp. 2 | 0¼§ | †98.13 | 98.23 | 27/2 | 6⅝ |
| Belgium, Kingdom of 91 | 0 | 100.29 | 100.39 | 19/2 | 8.06 |
| BNP 5¼ 95 | 0.05 | *†101.45 | 101.55 | 12/1 | 6.80 |
| Britannia 5 93 £ | 0⅛ | 99.42 | 99.50 | 8/1 | 10.19 |
| Chase Manhattan Corpn. 91 | 0¼ | 99.60 | 99.70 | 20/2 | 6.12 |
| Citicorp 98 | 0¼ | 98.95 | 99.05 | 28/11 | 7.29 |
| Credit Lyonnais 5 00 | 0¼ | 100.73 | 100.83 | 12/1 | 6.81 |
| EEC 3 92 DM | 0 | 100.28 | 100.35 | 12/1 | 4.44 |
| EEC 5¼ 93 Ecu | 0.0312 | †99.82 | 99.92 | 30/1 | 7.66 |
| Halifax Bldg. Soc. £ 94 | 0.1 | 99.19 | 99.26 | 6/02 | 10.54 |
| Lloyds Bank Perp. | 0¼ | †99.00 | 99.10 | 9/2 | 7½ |
| Midland Bank 01 £ | 0.1 | 99.29 | 99.39 | 9/2 | 10.60 |
| Milk Mrktg. Board 5 93 £ | 0⅛ | 99.50 | 99.58 | 29/12 | 10.60 |
| NatWest Perp. A | 0⅛§ | 98.81 | 98.91 | 9/1 | 6.94 |
| NatWest Perp. B | 0⅛§ | 99.06 | 99.16 | 10/2 | 6⅝ |
| New Zealand 5 97 £ | 0.07 | 99.64 | 99.74 | 14/8 | 10¼ |
| New Zealand 5 01 | 0 | 99.86 | 99.96 | 4/2 | 6.13 |
| Prudential Corpn. 4 95 £ | 0.1 | 99.52 | 99.62 | 5/12 | 9.85 |
| Shearson Lehman Hldgs. 91 | 0⅛ | †99.50 | 99.60 | 6/2 | 6¼ |
| United Kingdom 5 92 | 0 | 100.09 | 100.16 | 7/1 | 7.19 |
| Woodside Financial 5¼ 97 | 0 | 99.93 | 100.03 | 28/1 | 6.81 |
| Woolwich 5 95 £ | 0⅛ | 99.33 | 99.37 | 19/11 | 10½ |

Average price changes on day −0.14 on week −0.56

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Ajinomoto 3 99 | 4/84 | 1053 | †269½ | 271½ | +0⅞ | 6.89 |
| Fanuc 3¼ 98 | 1/84 | 7052 | 260½ | 262½ | 0 | 99.09 |
| Fuji Bank 2½ 00 | 10/85 | 1472 | 155 | 156½ | +0⅞ | 3.73 |
| Fuji Heavy Industries 3 00 | 8/85 | 676 | 104⅛ | 105⅞ | −0⅛ | 8.58 |
| Fujitsu 3 99 | 5/84 | 1320 | 147⅛ | 148⅛ | +7⅞ | 24.19 |
| Minolta Camera 2¼ 94 DM | 3/86 | 1105 | *98⅛ | 100¼ | 0 | 62.21 |
| Mitsubishi Bank 2⅞ 00 | 8/85 | 1768 | 153 | 154½ | +1⅞ | 6.97 |
| Mitsubishi Trust 2½ 01 | 5/86 | 1600 | 152⅛ | 153⅞ | −0⅛ | −11.73 |
| Mitsui Bank 2⅞ 01 | 4/86 | 101.9 | 129⅛ | 131¼ | −0⅛ | −90.05 |
| Mitsui Trust 2⅞ 01 | 10/86 | 1990 | 104⅛ | 105⅛ | +2½ | 7.09 |
| Murata 3½ 00 | 7/84 | 2990 | 183⅛ | 185⅛ | +0½ | 21.95 |
| Nippon Elec. 2⅞ 00 | 1/85 | 1295 | 249⅛ | 250⅛ | +4⅛ | 237.22 |
| Nippon Oil Co. 3 00 | 5/85 | 923 | 210⅞ | 212⅞ | +14⅛ | 3.34 |
| Oki Elec. Ind. 3½ 99 | 10/84 | 885 | 125⅛ | 126⅞ | +0⅛ | 3.34 |
| Sanwa Bank 2¼ 00 | 10/85 | 1486 | 148⅞ | 150⅛ | −0⅞ | 3.85 |
| Sumitomo Bank 2¼ 00 | 8/85 | 2142 | 162½ | 164 | +2¼ | 6.75 |
| Toshiba Ceramics 3 00 | 4/85 | 1734 | 124 | 125½ | +0⅛ | 3.28 |
| Nippon Oil Co. 2⅛ 92 SFr | 3/84 | 1052 | *†132½ | 132⅞ | 0 | 6.31 |
| Nippon Shinpan 2 92 SFr | 3/84 | 801 | *†179½ | 179⅞ | 0 | 11.01 |
| Asics 5 92 DM | 12/83 | 520 | *126½ | 128 | 0 | 5.56 |

* No information available—previous day's price.

† Only one market maker supplied a price.

**Straight Bonds:** The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

**Floating Rate Notes:** Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

**Convertible Bonds:** Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# Earnings plunge at Litton Industries

By Our Financial Staff

LITTON INDUSTRIES, the California-based electronics conglomerate, saw its earnings plunge by over 20 per cent in the first quarter ended October 31.

Net profits amounted to $34.35m, equal to $1.26 a share, compared with $43.67m or $1.56 a share in the corresponding period of 1985. Sales declined fractionally from $1.1bn to $1.06bn.

The company blamed the reverse on a drop in interest income and on reduced sales and operating profits of its resource exploration services divisions. The directors added, however, that the divisions nonetheless remained profitable in the severely depressed oil services market.

Net profits for the full fiscal year ended in July amounted to $71.1m or $2.52 a share – down sharply from the previous year's $292.7m or $7.20 a share.

# Investor group may raise Viacom stake

AN INVESTOR group including National Amusements and Mr Sumner Redstone, its chairman, has sought anti-trust clearance to raise its stake in Viacom International, the US broadcasting and cable TV group, to 49.9 per cent, Our Financial Staff writes.

The group already holds 19.8 per cent but is not promising to make any specific proposal or deal.

# Belzberg family sells back 5% USG stake for $139.6m

BY WILLIAM HALL IN NEW YORK

BELZBERG family of Canada, a group of corporate raiders, has sold a near 5 per cent stake in USG Corporation, the biggest US gypsum producer, back to the company for $139.6m and agreed not to seek control for a period of 10 years.

The share buyback comes five years after the Belzbergs mounted a similar corporate raid on masonite, now a USG subsidiary, and is likely to add to the growing pressure in the US to curb the payment of "greenmail", a process where one shareholder is treated on a more favourable basis than the rest of a company's shareholders.

USG Corporation announced on November 20 that it planned to buy back up to 20 per cent of its shares in a bid to avoid being taken over by the Belzberg family. USG said that its decision to buy back the Belzberg's 3.1m shares at $45 a share was in line with its earlier announcement and denied that it constituted "greenmail". USG said that the shares had been bought at market prices.

USG said that the Belzberg's First City group and its affiliates had agreed not to acquire any USG stock or seek control of USG for 10 years.

USG had argued that the Belzbergs had violated an earlier 10 year standstill agreement with Masonite, which was acquired by USG in 1984. However, this line of defence does not appear to have had much effect and USG yesterday agreed to drop its lawsuit against the Belzbergs relating to the alleged violation of the earlier standstill agreement.

The Belzbergs are the latest in a string of corporate raiders who have "greenmailed" major US companies. Sir James Goldsmith, the Anglo-French financier, dropped his $5.3bn bid for Goodyear after the company agreed to buy back his shares and Mr Ronald Perelman dropped a $4bn bid for Gillette after the latter repurchased his shares at a substantial premium to the existing market price.

# GM in further production cuts

BY ANATOLE KALETSKY IN NEW YORK

GENERAL MOTORS is to cut production at three of its assembly plants and lay off 4,500 workers in an effort to reduce excessive stocks of several large and luxury car models.

The redundancies, which come on top of a longer-term programme of 11 plant closures announced by GM on November 6, reflect grave financial, marketing and management problems.

Earlier this week, the GM board was deeply embarrassed by its decision to pay $700m to Mr H. Ross Perot, the company's largest and most critical shareholder, in order to remove him from the GM board and secure his agreement to an unusual arrangement which legally prevents him from criticising GM policies in public.

The cuts now announced are bound to add to the company's embarrassment, particularly since one of the plants affected, the $600m Cadillac and Oldsmobile assembly line at Detroit-Hamtramck, was opened only last year as a highly automated showpiece facility of the kind which was supposed to secure GM's long-term future.

GM said that the production cuts were being implemented "in the hope of avoiding large incentive financing programmes" of the kind which have pushed the company's financial results into an operating loss of $330m in the third quarter of this year.

● GM has been sued by shareholders represented by the Chicago law firm of Holstein Mack and Dupree, which specialises in shareholder right suits. The payment made by GM to Mr H. Ross Perot was "a deceptive and manipulating device" designed to provide Mr Perot with "hush-mail" and to "buy his silence," to the detriment of other shareholders, the law suit alleged.

BIG RISES EACH SIDE OF THE ATLANTIC

# Hanson Trust boosts profit by 83%

BY CHARLES BATCHELOR

Hanson Trust, the industrial conglomerate headed by Lord Hanson, yesterday announced an 83 per cent rise in pre-tax profit to £464m in the year ended September 30 and a one-for-three scrip issue to shareholders.

In the US, trading profit rose by 88 per cent to £214m (£114m) on sales of £1.93bn (£1.21bn), with SCM, the diversified industrial group, making a first time nine-months contribution.

Hanson has spent the past six months digesting the Imperial Group empire of brewing, food and tobacco interests. It has disposed of some fairly large parts including the Courage brewery (sold to Elders IXL for £1.4bn) and Imperial's hotels and restaurant chain (sold to Trusthouse Forte for £190m).

Pre-tax profit rose to a record £464m from £253m on turnover which increased to £4.31bn from £2.67bn. Earnings per share rose by 35 per cent to 14.3p on a fully-diluted basis from an adjusted 10.6p.

The company has increased its final dividend by 33 per cent to 2.85p (2.14p on an adjusted basis) making a total of 4.25p (3.24p adjusted).

Both the profits rise and the smaller increase in earnings were roughly in line with market expectations and the shares moved up slightly by 9p to 191p.

Lord Hanson commented: "The outlook is exciting. The strength of our balance sheet enables us to take advantage of opportunities in the US and the UK."

In the UK, Hanson's food Imperial Group, made a first operations, acquired with Imperial Group, made a first £28m on turnover of £304m. Consumer activities achieved a 57 per cent profits rise to £94m (£60m) on sales of £1.61bn (£581m).

Sales of Imperial Tobacco were affected by the 1986 budget duty increase, requiring a programme to improve productivity, reduce overheads and introduce new products.

Profits of the building products division rose per cent to £62m (£57m) on turnover of £239m (£225m) while UK industrial profits rose by £1m to £27m on turnover of £225m (£220m).

In the US, the industrial division led profit rises with a 247 per cent increase to £104m (£30m) on turnover of £638m (£226m). Much of this increase came from SCM Pigments, a large manufacturer of titanium dioxide.

The US food operations increased profit by 180 per cent to £14m (£5m) on sales of £339m (£276m). Building products division rose 9 per cent to £54m (£48m) on turnover of £423m (£380m). Consumer profits in the US rose 35 per cent to £42m (£31m).

## Nobo to join SE valued at £15.2m

By Richard Tomkins

Nobo, an office furniture and training aids supplier, is coming to the main market through a placing which will value it at £15.2m. Some 3.25m shares are being placed by Barclays de Zoete Wedd at 152p.

The company has three divisions. The principal one, called Nobo, makes visual aids such as whiteboards, flipcharts and easels. Budgie makes office furniture and Ricron provides a metalwork design and fabrication service to the display trade.

Pre-tax profits after directors' remuneration have risen from £242,000 in 1982 to £534,000 in the year to last April on turnover up from £2.48m to £7.54m. For the current year, the company is forecasting profits of at least £1.9m on turnover of more than £9.5m.

The prospective price/earnings multiple at the placing price is 11.5 and the gross dividend yield is 4.4 per cent.

Nobo is raising £1.2m net in the issue which will be used to repay all existing borrowings and to finance plant and equipment for its new Eastbourne factory. The placing will also raise about £3.4m for existing shareholders.

The company believes that the growing markets for its training aids, the introduction of new furniture products, and the expanded and improved manufacturing facilities at its Eastbourne factory provide the opportunity to continue its strong growth.

*The shares are being placed through James Capel, the company's stockbrokers, and two secondary distributors, Allied Provincial and Barclays de Zoete Wedd Securities.*

## Scapa buys RFD businesses

BY ALICE RAWSTHORN

Scapa Group, industrial holding company, yesterday announced that it has concluded the acquisition of the textile and cable component interests of the RFD Group from Wardle Storeys for £14.5m in shares. It also unveiled a 12 per cent increase in pre-tax profits to £14.6m in the first half of the year.

The acquisition of the RFD businesses—the Perseverance Mill and Lindsay and Williams—was negotiated during Wardle Storeys' successful takeover bid for RFD in the summer. Scapa emerged as a 'white knight' by mounting a competitive bid against Wardle Storeys but agreed to withdraw in return for an option on the textile and cable component interests, the two businesses which are most compatible with its existing activities.

Scapa will pay for the businesses through the issue of 6.17m new ordinary shares—or 7 per cent of its enlarged share capital—which will be placed by the stockbrokers, Cazenove and Henry Cooke, Lumsden for Scapa's merchant bank J. Henry Schroder Wagg. The company's shares fell by 10p to 235p yesterday on the announcement.

The two businesses produced pre-tax profits of £1.73m on turnover of £15.4m in their last financial year, to March 31, and should muster pre-tax profits of at least £2m this year.

Scapa's turnover rose to £101.69m (£88.04m) in the six months to September 30 after steady growth in almost every area of activity.

The contribution from North America, Scapa's main market, was inhibited by adverse US dollar exchange rates. Although the business produced 10 per cent profits growth in dollar terms, when converted into sterling operating profits from North America fell to £9.83m (£10.03m).

In the UK the only problem area was a former United Wire division's exposure to the troubled oil services industry. Scapa has invested in the company to enable it to diversify into new areas. Nonetheless operating profits rose to £4.83m (£2.25m).

Progress in other countries was impeded by problems at a Swedish subsidiary—which should be resolved by the end of the second half—and operating profits rose slightly to £2.31m (£2.26m).

Earnings per share increased to 10.3p (9.3p) and the company proposes to pay an interim dividend of 2.1p (2.0p).

● comment

There can scarcely have been a more amicable bid battle than that between Scapa and Wardle Storeys for RFD. The former wanted nothing but RFD's textile and cable component businesses; the latter everything but. Scapa has emerged with the companies for which it donned its white knight's armour in the first place, and for a reasonable price. The only question-mark hovers over the long-term prospects for the supply of impression fabrics for computer printer tapes. Oil services and Sweden apart, the rest of the business is faring well. Last year's switch to monthly exchange translation at least mitigated the damage caused by the US dollar, and even that currency should be more favourable in the second half. The City expects profits of £34m for the full year, assuming merger accounting for the RFD acquisitions. This produces prospective p/e of 10. Undemanding given the company's solid growth prospects.

## BET buys MPS Industries for £4.7m

BY CHARLES BATCHELOR

BET, the diversified services group, is paying £4.75m in *shares and cash for MPS Industries*, a privately-owned fork-lift truck and plant hire company.

MPS is based in Newton Abbott and has the franchise for the sale and servicing of Yale fork-lift trucks in the south west, west Home Counties, west Midlands and North east of England.

MPS will be incorporated into Eddison Plant, which is part of BET Plant Services and which already has more than half of Yale's UK dealerships. The two companies together will have *90 per cent of these dealerships.*

BET is financing the deal by the issue of 1.03m new shares and the payment of £410,000 cash. The acquisition has already been completed.

## Saatchi advances by 73% to £70m

By Clay Harris

Saatchi & Saatchi yesterday unveiled its first results as the world's largest advertising group, increasing pre-tax profits by 73 per cent to a record £70.1m.

The results, at the top end of forecasts, failed to buoy Saatchi's shares, which shed 3p to close at 668p.

Saatchi's accounts for the year to September 30 included only two months' contribution from Ted Bates Worldwide, the US-based agency. Profits from existing operations grew by 21 per cent.

With total billings of $7.5bn, Saatchi dismissed as negligible the nearly $400m lost through client conflicts after the $450m acquisition of Bates. 'In any case, this had been more than offset by new business.

Bates' global operations were instrumental in increasing the share of revenue (21 per cent) and profits (19 per cent) from outside the UK and US. Britain accounted for 22 per cent of revenue.

The world advertising industry was in a "classic textbook phase of concentration," Mr Maurice Saatchi, chairman, said yesterday. Eight multinational agencies now controlled 20 per cent of the world market, against the 13 per cent held by 12 groups a decade ago.

Saatchi aims to reinforce its leading position by increasing world market share to 10 per cent in both communications and consultancy.

It wants to lift margins to 20 per cent. Group margins improved by the year from 13.4 per cent to 15.8 per cent, although consultancy margins were stagnant at 12.9 per cent.

Revenue rose to £444m (£301.6m) on turnover of nearly £2.09bn (£1.21bn). After a 37 per cent tax charge, profit attributable to all shareholders was 81 per cent higher at £43.7m (£24.1m).

Interest on the proceeds of a £406m seven-for-eight rights issue in April boosted income by £7m.

A proposed final dividend of 8.84p would make a total of 16.18p on capital increased by the rights issue, against 14p in 1984-5. The company also plans a one-for-three scrip issue.

The company has appointed two new directors: Mr Anthony Simonds-Gooding, chairman and chief executive of the communications division, and Mr David Newlands, group finance director.

# Bass tops £300m: writes 50% off Pontin's valuation

Bass, the UK's largest brewer, yesterday reported 1985-86 profits near the top end of City expectations, and at the same time revealed that it had written £53.5m off the book value of its Pontin's holiday centres.

Profits for the year to end-September rose to £310.4m pre-tax, an improvement of 22 per cent over the previous year's £255.1m, but the Pontins provision, taken below the line as an extraordinary item, left the available balance down by £23m at £141.3m. The dividend is being stepped up by 2.3p to 17p net.

Sir Derek Palmar, group chairman, said the write-down effectively halved the value of the 26 UK holiday centres.

He added: "We shall go on trading Pontin's until we see what rationalisation is required. There are no prospects for any closures."

The centres, which have been declining in profitability in recent years, were acquired as part of the package of the Coral Leisure Group takeover in 1981.

Group turnover for the past year rose to £2.71bn (£2.41bn) and trading profits improved from £268.4m to £327.6m. The brewing, drinks and pub retailing operations increased their contribution by £38.6m to £252.2m. There was also a surplus of £13m (£10.9m) from disposal of fixed assets.

Commenting on the beer operations, Sir Derek said that after an initial setback in the first quarter arising from a shortage of canned beer following the Runcorn dispute last year, gains in market share were made over the rest of the year.

He added that volume growth of lager continued at a substantial rate despite a rather poor summer.

Lager increased its proportion of total beer volume to 49.5 per cent from 48.5 per cent a year ago. Sir Derek said that in cash terms that was well over the half-way mark and in volume terms he expected lager to cross the 50 per cent line shortly.

Profits from soft drinks and take-home sales of beer improved substantially. Profits from wines and spirits, however, suffered from the costs of rationalisation.

Leisure activities' trading profits rose from £45.4m to £57.4m. A surplus from fixed asset disposals added £4.4m (took £2.1m). Crest Hotels continued its profits advance.

Capital spending amounted to £303m. This would rise to £340m in the current year with nearly two-thirds going on the retail side, which incorporates hotels, betting shops and pubs.

The group has embarked on a seven-year property revaluation. Sir Derek said this would add more than £700m to group reserves in 1987 and represent a jump of almost 50 per cent since the last valuation.

Trading in the current year had started well and prospects for the group were described as good. The shares lost 6p yesterday, closing at 713p.

See Lex

## Smith New Court profits 12% ahead at half year

DESPITE ABSORBING the costs of its move to new dealing rooms and offices, Smith New Court, securities dealer, improved pre-tax profits by 12 per cent, from £3m to £3.4m in the half year to October 24 1986 its last pre-Big Bang results.

The directors are holding the interim dividend at 2p on capital increased by its rights issue in November 1985. Total dividends for the year to April 25 amounted to 7p when pre-tax profits reached £6.2m. Earnings fell from 10.3p to 7.5p for the six months.

The pre-tax result included depreciation on the new facilities, Mr Tony Lewis, the chairtiesman said, as well as the expansion of the company's agency business.

Good results were produced from the UK equity and *options* trading, and there was a greatly improved profit performance from the international business.

The impact of deregulation on equity trading in the UK market had been a matter of wide concern in the *run-up to* the Big Bang on October 27, Mr Lewis stated. While it was too soon to make firm predictions about how the ne wrules would affect the company during the rest of the year let alone in the *longer* term, the chairman said the company's experience to date had been encouraging both in the market making and agency activities.

After a tax charge of £1.19m (£1.22m), net profits for the period rose from £1.82m to £2.21m.

## Tiphook profit moves up by 50%

Tiphook, the container renter and manufacturer, saw *pre-tax* profit rise by 50 per cent from £1m to £1.5m in the six months to October 31 1986 on turnover that moved up *substantially* from £10.1m last time to £15.8m.

Mr Robert Montague, executive chairman, reported that since the *beginning* of the current year the group had performed extremely well, achieving a high utilisation both on its container and trailer rental subsidiaries and a strong increase in their fleets. He looked forward with confidence to reporting the full results for the year to April 1987.

He added that holders of 99.2 per cent of the share capital had taken up the rights issue last October.

Tax charges amounted to £173,000 (£153,000), after which earnings worked through at the higher level of 7.9p (6p). The declared interim was raised from 1.25p to 1.43p on the enlarged share capital.

## Central & Sheerwood losses more than £1m

A £1m DOWNTURN into trading losses at the Ransome & Rapier offshoot was behind an increase in pre-tax losses from £105,000 to £1.08m at Central & Sheerwood. The comparable figure included an exceptional profit of £470,000.

Mr David James, chairman, said that the company must advise shareholders that directors considered net assets amounted to less than half the called-up share capital.

He added that the company was seeking to cut borrowings by the sale of property. Land at Ipswich had raised £1.6m and at an extraordinary meeting being held on December 22 permission would be sought to make other land disposals which would raise "some £ms."

Mr James said that this would lead to major reductions in borrowings by the end of the year.

(£35,000), minorities of £19,000 (£24,000) and an extraordinary loss of £80,000 (£634,000 profit) the attributable loss was £1.2m (£470,000 profit). Loss per 5p share was 1.75p (0.26p).

Mr James said that further overhead reductions had been implemented at Ransomes but the projected loss would prevent Central from moving into profits in the present year. He added that subject to the conclusion of international sales negotiations, which were in progress, there was a prospect of group profits in 1987.

During the period Holcombe/Dunn, engineering offshoot, moved into trading profits of £74,000 (£64,000 loss) and Standard Catalogue, printing and publishing, reported a lower profit of £131,000 (£180,000).

### Rowe Evans falls

Rowe Evans Investments, the plantations holding company, reported profits down 40 per cent from £866,000 to £520,000 in the six months to June 30, 1986. Turnover fell from £1.4m to £876,000.

Share of related companies' profit remained virtually unchanged at £384,000 and after £260,000 (£372,000) tax, attributable profit totalled £205,000, down from £452,000, and earnings per 10p ordinary share amounted to 0.7p (1.55p).

### Holden Hydroman rises 6% midway

Holden Hydroman, specialist production engineer, produced first-half pre-tax profits up just 6 per cent to £235,000 after a substantial outlay on pre-production set-up costs for large new orders.

Directors declared an interim dividend of 0.975p, the same as last time.

### Feedback at £0.4m

Feedback yesterday reported a jump in pre-tax profits from £45,719 to £383,720 for the half year to September 30 1986.

Turnover for this USM-quoted computer peripheral equipment maker rose from £4.48m to £4.65m. Mr J. H. Westcott, the chairman, said that it was usual for the second half to produce better results but it was too early to make a firm forecast.

The interim dividend is held at 1.25p. Earnings per 10p share improved from 0.025p to 2.57p after tax of £166,161 (£43,735).

There was an extraordinary credit of £34,500 (£49,000 debit) representing a change to the potential deferred tax charge.

CENTRUST SAVINGS BANK of Miami is seeking a listing on the London Stock Exchange of 7.8m shares of common stock, each valued at 1 US cent.

Last month, CenTrust reported consolidated net earnings of $55.9m (£39.1m) for the year ended September 30 1986 up 53 per cent on the previous year's $36.6m. Consolidated assets stood at $6.1bn, 30 per cent higher than 1985's $4.7bn.

UK LAND—Dividend for year ended September 30 1986 is 4p (3p). Net rental income £1.28m (£602,000) and net surplus on disposal of dealing assets £1.18m (£306,000). Profit £1m (£209,000) and earnings 18.5p (8.1p) per share.

## Prudential expands its estate agency network

Prudential Property Services, the estate agency arm of the insurance giant, Prudential Corporation, has further expanded in this field with the agreed acquisition of the residential operations of the Bristol-based firm of Lalonde Bros and Parham.

No details of the consideration were given, but payment will be part cash and part shares of Prudential Corporation and will not be made before July 1987.

The commercial operations of Lalonde are being merged with leading commercial estate agents, Chestertons.

Lalonde, with its 19-strong office network covering Avon, Devon, Gloucestershire, Somerset and Wiltshire, is the most extensive residential property agent in the West Country, employing some 300 staff. It has plans to open a further ten offices under its expansion programme.

This brings the number of offices in Prudential Property's countrywide network to 315.

Mr Graham Clay, managing director of Prudential Properties, stated that no further major acquisitions were being contemplated in these areas. The company would concentrate on the major gaps in its coverage — Birmingham and the West Midlands, North-east England and Scotland.

Mr Clay also pointed out that house prices in the West Country had been rising steadily, and the signs were that this rising trend would outlast that seen in the South-east.

# UK COMPANY NEWS

## Tootal paying $33m for US thread company

BY ANTHONY MORETON,

Tootal yesterday became the largest producer of industrial threads in the US when it bought the threads interests of Standard-Coosa-Thatcher, one of the country's big five manufacturers, for $33m (£22.75m).

The yarns-and-clothes concern already controls about 13 per cent of the market through its American Thread subsidiary and, with SCT, will now have just under a quarter.

Britain is now very strongly entrenched in this area as, with Coats Viyella, which has 7 per cent, it controls almost one-third of the market.

The other two majors are Ticaro, until yesterday the market leader with 14 per cent, and American and Eiffird which is about the same size as Tootal's American Thread.

Mr Geoffrey Maddrell, the company's managing director, described the deal in London yesterday as "a marvellous move."

Tootal was acquiring "a very profitable market share in thread, more customers and a complementary range of output. We have also acquired the means to get growth in this highly competitive market."

Industrial threads are those sewing "cottons"—largely made of polyester now—which go to commercial clothes producers such as Levi Strauss or Wrangler. Because of the higher speeds at which their sewing machines operate these companies need a stronger thread than that bought by the person who merely wants to sew a button on a shirt.

The US market is very large. It annually consumes about 180m SLUs, standard-length units, the industry measurement vehicle, compared with 24m in the UK and around the same in most of the major European countries.

Tootal has been looking at American plants for much of this year and also had talks with Ticaro, which sells its products under the Threads Inc. label.

The SCT deal had to be rushed through for tax reasons as the American principals—the North Carolina Company is the result of two management buy-outs—wanted to sell before December 31, when US corporate taxes rise sharply, and yesterday was the last day Tootal and its adviser, Morgan Grenfell, could for technical reasons get the deal through the Stock Exchange before the end of the year.

Under the deal SCT's yarn operations have been hived off to its management. "Yarn is doing well in the US at the moment," Mr Maddrell said, "which makes it a good time for a buy-out. But we did not see it having a profitable long-term future."

Tootal has taken over SCT's equity at a cost of $22m together with debt of $29m and received $18m back from the sale of the yarn side.

The $33m net cost is being financed by the issue of 25.6m shares in London at 90p each.

The deal would make a big improvement to Tootal's earnings per share, Mr Maddrell claimed.

It will also help productivity levels. American Thread has been operating at 60 per cent capacity and Tootal is only taking one of SCT's nine plants. As a result its output per man will rise by 40 per cent from $50,000 a year to $70,000.

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## Olivetti chief buys stake in Mercury

By Paul Betts in Paris

Mr Carlo de Benedetti, the Italian entrepreneur and financier, has acquired a 2.2 per cent stake in Mercury International Group, parent of S. G. Warburg, the merchant bank, through his new Swiss financial holding company Societe Financiere de Geneve.

The chairman of Olivetti, who has built up the second largest Italian industrial group after Fiat during the last few years, acquired the Mercury stake about two weeks ago, sources close to Mr de Benedetti disclosed yesterday. But they declined to say how much Mr de Benedetti had paid for his Mercury stake.

However, the investment by the Italian businessman appears to have been encouraged by the UK merchant bank which is seeking support from "friendly" partners to help fend off unwelcomed advances from Mr Saul Steinberg, the US financier and takeover specialist.

Indeed, Mercury is understood to have approached other potential friendly partners which might consider buying shares in the UK merchant bank.

Mercury already has close relations with Mr de Benedetti with the UK merchant bank owning a one per cent stake in Cofide, which stands for Compagnia Finanziaria de Benedetti and is the Italian businessman's principal holding company.

Cofide controls his expanding financial and industrial empire and includes among its shareholders major financial institutions like Shearson Lehman with 4.9 per cent, the French Indosuez group with 4.8 per cent, the French Indosuez group with 4.8 per cent, Nomura with one per cent and Mercury with one per cent, among other shareholders.

## Royal Bank profits hit by £89m bad debt provision

BY HUGO DIXON

A 90 PER CENT increase in bad debt provisions hit the Royal Bank of Scotland's annual results, which were published yesterday. Its shares closed 22p lower at 274p.

Recessions in the oil, shipping and construction industries were the main cause of a £89.4m (£47m) bad debt provision, which held profit growth to only 11 per cent. Pre-tax profits in the year to September 30 were £184.5m (£166.3m).

However, a switch in the way third world debt provisions are accounted for allowed RBS to cut its tax rate from 43.1 per cent to 35.4 per cent and post-tax profits grew 26 per cent to £119.2m. In common with most other clearing banks, it has started making specific rather than general provisions against bad third-world debts and expects the Inland Revenue to allow it to deduct these from its tax bill.

Earnings per share were 41.8p (35.7p) and the directors have recommended a final dividend of 6.8p, making a full-year dividend of 10.8p (9.6p).

RBS has continued to cut back on its international banking business, with foreign-currency deposits in sterling terms falling by 15 per cent. Only 11 per cent of pre-tax profits came from international banking (23 per cent), while domestic banking contributed 52 per cent (49 per cent).

Net interest income grew 14 per cent to £439.3m, mainly because of a growth in sterling deposits and margins. Other operating income — such as service charges, foreign exchange profits and commissions —grew 28 per cent to £202.6m.

However, expenditure was also up: staff costs grew 12 per cent to £228.5m; equipment and premises expenditure was up 21 per cent to £79m; and other expenses up 32 per cent to £98.5m, partly the result of a doubling in advertising expenditure.

Pre-tax profits were greatly helped by capital profits: sales of premises brought in profits of £7.5m (£1.8m); and sales of investments brought £19.8m (£63.8m), mostly from Charterhouse, RBS's merchant banking subsidiary.

In addition to these profits, Charterhouse made pre-tax profits of £23.4m compared with £9.2m in the nine months to September 30 1985. This was split as follows: merchant banking, £15.5m; development capital £6.8m; £0.8m investment management; and £0.4m stockbroking.

## Turner raises AE stake to 47%

By David Goodhart

Turner & Newall now controls just more than 47 per cent of fellow engineering group AE and is poised to take its stake above 50 per cent before the bid closes at 1 pm today.

T&N said yesterday that it was confident that victory would be very comfortable. N. M. Rothschild, advisers to T&N stated that of the holders 14 per cent of AE who provisionally committed themselves to T&N when it made its final offer almost half have yet to show their hand.

However advisers to Mr Robert Maxwell's Hollis group, the rival bidder, pointed out that the 14 per cent commitment wase made before Hollis increased its offer a final time.

Hollis yestrday increased its stake to the maximum 29.9 per cent and Mr Maxwell confirmed his earlier statement that: "Pergamon will not accept the offer being made by T&N for the whole of the ordinary share capital of AE not already owned by T&N."

Hollis's advisers pointed out that this could make life very difficult for T and N as they will not have the 75 per cent needed to restructure the company and take advantage of tax benefits.

T and N replied: "We regard this as being just huff and puff. Mr Maxwell has nearly £80m tied up in AE and he will not want to leave it. There are also other ways of acquiring the tax benefits such as through AE dividends."

The company admitted it had not contacted the Takeover Panel about Mr Maxwell's statement but suggested that with T and N's backing the Panel would let Mr Maxwell sell.

AE closed at 273p, down 98, Turner and Newall lost 1p

## Another share stake being built up in Mitchell Cotts

BY NIKKI TAIT

A SECOND share stake is being built up at Mitchell Cotts, the troubled engineering, chemicals and trading group.

Speaking at the annual meeting yesterday, chairman Mr John Storar told shareholders that he was aware of "another significant new corporate shareholder who only admitted its presence after lengthy enquiries by us."

Mitchell Cotts refused to elaborate on the company's identity because the stake is still below the 5 per cent level. It is still seeking assurances that the new shareholder, which acquired its holding via nominee companies, is not acting in concert with any other shareholder, including Rushlake Holdings, the private company owned by the Jivraj family which already has a declarable holding in Cotts.

However, Cotts did rule out suggestions that Lonrho might be the second stake-builder—one of the possible predators mooted recently.

Yesterday, Rushlake itself disclosed that its holding has now been increased to 11.4 per cent. It first revealed a 5.85 per cent stake in November, but raised this to 10 per cent at the end of the month. Rushlake owns a controlling interest in quoted company London Park Hotels, and has a 6.4 per cent holding in Wigfalls, the electrical retail and rental group.

## Talbex heads for rejig as chairman quits

Talbex Group, the troubled industrial holding company, moved closer to a re-organisation of its business with the resignationa yesterday of Mr David Green, chairman.

Stockbrokers Robert Wigram said Mr Green would remain as a non-executive director and did not plan to sell the 16.6 per cent stake held by him and his family.

The Talbex board, strengthened by the recent addition of Mr Terry Langan and Mr Neil Simpson, both veterans of Bath and Portland, was preparing cost-reduction measures.

In May, Talbex reported a pre-tax loss of £143,000 on sales of £6.63m in the six months to January.

## Key holding in Ealing Electro changes hands

BY NIKKI TAIT

A KEY 40.5 per cent stake in Ealing Electro-Optics, the USM-quoted optical and electro-optical equipment group, is changing hands—and this could open the way for a bid approach next year.

The stake is currently held by The Ealing Corporation, a US company which acquired EEO in 1968. In a complex deal, Ealing Corporation is proposing to merge with another company owned privately by Mr P. Grindle, chairman of Ealing Corporation, and financing the deal by loans from Sleipner UK, advisers to Mr Grindle and part of Norwegian company Neri. The EEO stake will end up with Sleipner, in part payment for the loans if the deal goes ahead.

Sleipner has given undertakings to EEO and its advisers, Schroders, that it will not transfer any EEO shares before July 1 1987, purchase any further shares, vote more than 29.9 per cent of its votes at a general meeting, and will inform Schroders if it negotiates to sell any of its stake. The Takeover Panel has consented to transfer of the holding without requiring Sleipner to make a full bid.

However, the EEO board points to a circular issued by Ealing Corporation which suggests that Sleipner and Mr Grindle are actively discussing the sale of EEO shares after the merger.

On the question of whether this might take place before July, the circular continues, "Mr Grindle believes that Schroders will agree to a sale of the EEO shares to a single purchaser, provided the purchaser offers to buy the 50.5 per cent balance of EEO's outstanding shares for the same price paid to Sleipner for the Ealing Corporation block."

HUNTER SAPHIR (USM marketer and distributor of fresh produce): Interim dividend 1.05p (0.85p) net for half year to September 13 1986. Turnover £48.8m (£42.59m) and pre-tax profit £1.54m (£1.19m). Tax £547,000 (£417,000). Earnings per share 6.4p (4.98p).

THORPAC GROUP (deep freeze packaging): Unchanged interim 1p. Turnover £1.92m (£2.18m) and pre-tax profits £93,000 (£86,000) for half year to September 1986. Tax £33,000 (£30,000). Earnings 2.5p (2.4p). Second half seasonally better. USM-quoted.



## Johnson Fry makes USM debut

By Alice Rawsthorn

JOHNSON FRY, a financial services group and one of the leading Business Expansion Scheme issuing houses, is joining the Unlisted Securities Market in a placing of shares which will value its business at £7.1m.

The company was formed in 1969 and operated initially as a life assurance and mortgage broker. It has since expanded into a more broadly based financial services group with interests in investment management, a recently introduced mergers and acquisitions service, and the sponsorship of BES issues and funds.

Johnson Fry is keen to play a part in sponsorship for the Third Market, which will be introduced by the Stock Exchange in January to deal in the shares of small, unquoted companies. It has applied to the Stock Exchange for membership in order to do so.

In its last financial year, to October 31, the cmopany produced pre-tax profits of £691,000 on turnover of £2m. Johnson Fry expects to realise its full financial potential in the late 1980s when the BES companies it has sponsored — and retained holdings in — are able to go public.

The company will issue 1.18m shares, or 25 per cent of its equity, at 150p a share. This produces earnings per share of 11.4p on the last set of financial results, and a p/e of 13.2. The stockbroker to the placing is Rowe and Pitman.

The bulk of the capital raised by the placing — about £854,000 —will be invested in the company, thereby enabling Johnson Fry to embark upon a series of acquisitions, among small, privately owned financial houses for which it wil pay with cash and shares.

## Standard denies financing bid fight

BY OUR FINANCIAL STAFF

Standard Chartered Bank said last night it had never offered any "financial or other inducement" to investors who bought shares in the bank last summer to help fight off the hostile bid by Lloyds Bank.

The bank's statement was issued in response to speculation that it had financed Tan Sri Khoo Teck Puat, the Malaysian businessman, who acquired over 6 per cent of Standard stock.

Standard Chartered also described as "entirely unfounded" reports that Mr Michael McWilliam, the managing director, was under pressure to resign.

# UK COMPANY NEWS

## Johnson Matthey profits doubled to £22m midway

IMPROVEMENTS by all parts of the group helped Johnson Matthey, holding company with interests in advanced materials and precious metal technology, to more than doubled pre-tax profits from £10.5m to £21.6m in the six months to the end of September 1986.

Directors said that the benefits of rationalisation and reorganisation were being reflected in operations.

Mr Eugene Anderson, chief executive, added that the company's emphasis had changed from generating cash to bring down debts to pushing up profits. "Initially we were fighting fires. Now we are looking quite far into the distance."

On the news the shares rose by 5p, but later fell back to close at 217p, up 2p on the day.

Earnings came out at 11.3p (4.5p) basic and 8.9p (4p) fully diluted and the directors are increasing the interim dividend from 0.5p to 2p. Last year there was a total payment of 2.5p on pre-tax profits of £30.1m.

Operating profit rose from £20.5m to £27.4m and the pre-tax figure was further boosted by a £4.2m cut in interest charges to £5.8m. That followed a substantial fall in the previous year.

Despite significantly higher metal prices net money and metal borrowings fell by £9m in the six months to £165.4m, directors said. They added that negotiations were well advanced to replace the medium-term financing agreement, which had been signed last year, with facilities more appropriate to the continuing improvement in the group's financial status.

The tax charge was £5.5m (£3.4m) and there were extraordinary debits of £8.8m (£3.1m), being the net loss of £15.3m on the sale of the investment in BL Holdings, a US private company, and rationalisation costs of £3.6m offset by a gain of £12.1m from the disposal through hedging of working capital stocks of precious metals.

After dividends absorbing £3.7m (£1.7m) the retained profits for the period was £5.6m against £2.3m last time.

The directors expected cash receipts of more than £28m from its recent actions in rationalising the UK organic colours business, which should show a book profit, and selling its BL Holdings investment. They added that the sale of the electrical contract business announced on Wednesday, should realise more than £5m but give rise to a £1m loss on its original book value.

### ● comment

The recovery of Johnson Matthey has reached a turning point. Since the 1984 debacle, the company has surprised everyone with its success in squeezing out cash in order to cut debt. It has got to the point of paying a respectable dividend. The priority now is to build the stronger parts of the group, including electronic and medical materials. Certainly, the company has technical know-how and experience in going from the laboratory to the manufacturing line. However, Johnson Matthey is not a nimble group: it will have to tread warily the further it moves into new markets. After all, operating in markets it did not fully understand—banking and US jewellery—cost the old Johnson Matthey dearly. At 218p the shares trade on a prospective multiple of about 11, fully diluted, assuming full year profits of £45m-plus pre-tax and a 25 per cent tax charge. On grounds of corporate performance they should be worth a little more. However, the group is more exposed than it was to the vagaries of precious metal prices. And 1986 has been an exceptional year for platinum.

## Pensions holiday boosts B. Priest to £734,000

Benjamin Priest Group, West Midlands-based engineer, reported interim pre-tax profits up by £305,000 to £734,000 helped by an exceptional credit of £197,000 arising from savings in pensions contributions. There was also a £73,000 cut in the interest charge to £186,000.

Earnings per 5p share came out at 0.79p (0.48p) on a fully converted basis, or 0.58p excluding the pensions item. The directors have decided to resume interim dividends with a payment of 0.125p.

However, Mr Christopher Walliker, chairman, said that the level of the interim payment did not necessarily indicate an increase in the total dividend.

Turnover for the six months to October 3 1986 was £16.95m (£16.65m) and trading profit came out at £723,000 (£688,000). Tax took £86,000 (£61,000) and there was an extraordinary credit of £65,000 (nil) relating to the profit on disposal of investment.

The results include profits from Plastic Moulding Tools since its acquisition in mid-August. No figures have been included from Sillavan Industries which was bought after the end of the period.

Mr Walliker said that an actuarial review of the group pension scheme revealed substantial surplus assets. Most of that was being used to improving benefits and the group ceased making contributions in April and was unlikely to resume until April 1989.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Baker Perkins | int | 3.25 | Feb 9 | 3 | — | 7.5 |
| Bass | | 12.8 | — | 11 | 17 | 14.7 |
| Godfrey Davis | int | 1.5 | Jan 12 | 1.5 | — | 4.5 |
| DSC Holdings | int | 0.5 | Jan 5 | — | — | 0.5 |
| Erskine House | int | 1.2 | Jan 15 | 0.9 | — | 3.2 |
| Fairline Boats | | 4 | Jan 30 | 2.7 | 6 | 4.2 |
| Feedback | int | ‡1.25 | Feb 3 | 1.25 | — | 1.25 |
| Fine Art | int | 1.5 | Jan 16 | 1.2 | — | 4 |
| Hanson Trust | | †2.85 | Feb 6 | 2.14* | 4.25 | 3.26* |
| Holden Hydroman | int | 0.97 | Jan 16 | 0.97 | — | 3.25 |
| Hunter Saphir | int | ‡1.05 | — | 0.85 | — | 2.5 |
| Johnson Matthey | int | 2 | Feb 2 | 0.5 | — | 2.5 |
| G & G Kynoch | | 2.5 | — | 1 | 3 | 1.5 |
| B. Priest | int | †0.13 | Feb 4 | nil | — | 0.3 |
| Prop & Revrsry | int | 1.65 | Jan 8 | 1.5 | — | 4.5 |
| Royal Bank Scotland | | 6.8 | — | 6 | 10.8 | 9.6 |
| Saatchi & Saatchi | | †8.84 | Apr 6 | 8.71 | 16.18 | 14 |
| Christian Salvesen | int | 1.38 | Feb 10 | 1.25 | — | 3.25 |
| Scapa | int | 2.1 | Jan 16 | 2* | — | 6.05* |
| Smith New Court | int | †2 | Jan 17 | 2 | — | 7 |
| 600 Group | int | 2.34 | — | 2.34 | — | 5.78 |
| Thorpac Group | int | ‡1 | Jan 12 | 1 | — | 2.5 |
| Tiphook | int | †1.43 | — | 1.25 | — | 3.73 |
| UK Land | | 4 | — | 3 | 4 | 3 |

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

## COMPANY NEWS IN BRIEF

EQUIPU, Bristol-based office equipment dealer, said that it was in talks after being approached about a possible takeover bid.

KUWAIT INVESTMENT Office has lowered its stake in Hillsdown Holdings to 6.9 per cent. The KIO, which has previously indicated that its stake was a long-term investment, has sold 2m shares and now holds 27m.

DELANEY Group has exchanged contracts for the purchase of David Bennett (Joinery) in consideration of £750,000 in new Delaney shares. As at August 31, 1986 net tangible assets of Bennett, timber staircase maker, was £240,000.

PARKLAND Textile (Holdings), the Bradford-based woollen yarn, worsted cloth manufacturer has sold its worsted spinning production facility in Netherton Mill, Halifax, to Sableton.

DALGETY has got control of Dalgety Farmers of Australia. Following the redemption by Southern Farmers of its holding of 2.25m redeemable preference shares in Dalgety Farmers, the percentage of the total shares in Farmers held by Dalgety has increased from 49 per cent to 50.91 per cent.

KENYON Securities, funeral and ancillary services group, is purchasing L. J. Richmond & Sons for £370,000. The consideration is to be satisfied by £150,000 cash and the issue of 68,750 new Kenyon ordinary shares. Net tangible assets of Richmond is £85,000.

DSC HOLDINGS (maker and distributor of record playing styli and accessories): Interim dividend 0.5p (nil) for six months to end-September 1986. Turnover £1.57m (£861,548) and pre-tax profit £8,800 (£64,328 loss). Tax nil (£13,000). Earnings per share 0.3p (2.5p losses). Extraordinary debit £298,771 (£14,343).

JAMES FERGUSON has agreed to acquire the Barlow Clowes group of companies. Mr Peter Clowes, chairman of James Ferguson, is also the principal shareholder in Barlow Clowes.

YEARLING bonds totalling £0.75m at 11 1/8 per cent, redeemable on December 9 1987, have been issued by the following authorities: East Lindsey District Council £0.5m; Wansbeck District Council £0.25m.



### Joan Gray considers Steetley's approach to Nottingham Brick

## Building a future in facing bricks

THE PROPOSAL unveiled this week by Steetley, the Midlands construction group, for a merger with Nottingham Brick marks a new-found confidence in a company which three years ago found itself on the receiving end of a £115m takeover bid.

Steetley eventually escaped the clutches of Hepworth Ceramic when its hostile offer was referred to the Monopolies Commission. But the experience clearly helped concentrate minds at Steetley, which since then has been engaged in a major cost cutting and investment programme, and building up its marketing strengths.

Its recovery has been greatly aided by the soaring demand for building materials on the back of the best year for private sector housebuilding since 1973 and buoyant commercial building. Pre-tax profits have risen from £23m in 1983 to nearly £37m last year, and analysts are expecting up to £45m this year.

The challenge facing the company has changed during the past 12 months from one of achieving recovery, to the more difficult one of positioning itself to take advantage of the present buoyancy of the market.

The approach to Nottingham shows this strategy being pursued in the bricks market, which provides about one-third of group profits.

The drawback is that Nottingham is not keen on the idea of the merger, which Steetley's board announced in a surprise statement late on Wednesday. "We will make an appropriate statement in future, but the corporate view is that we wish to remain independent," said a Nottingham Brick director. "To say we are fighting the merger is premature because it assumes Steetley will make a bid and they have not yet. We just want to remain independent."

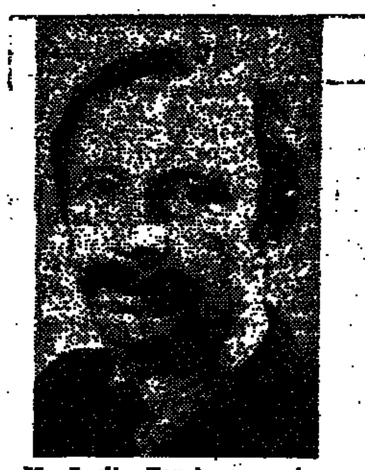
If Steetley Brick manages to add Nottingham's 110m facing bricks a year, the result will be a company with an annual output of 510m of the unusually coloured high-quality "designer" bricks of the type now most favoured by more up-market housebuilders, and the fastest growing part of the industry.

This would take Steetley, at present number two, to almost the same size as Britain's largest producer of facing bricks, Hanson Trust's Butterley. The nearest rivals are Redland and Ibstock, which produce between 200m and 250m facing bricks a year each.

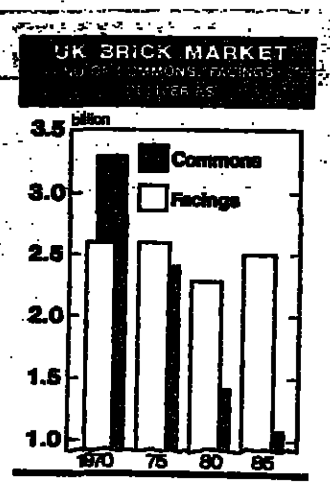
Steetley, with a turnover of £408.7m and profits of £36.84m last year, compared to Nottingham Brick's £730,000 first-half profits on sales of £4.42m, is a determined company.

It has invested more than £23m on new factories and equipment in the last two years, including £12.5m on its Parkhouse automated brick factory in Stoke on Trent.

This is believed to be the most advanced brick plant in Europe, and is now running at full capacity, making 64m bricks a year with an output per worker more than twice as high as older plants and unit costs 25 per cent lower.



Mr Leslie Tench, managing director, of Steetley Brick




Steetley wants Nottingham Brick for four main reasons, said Mr Richard Miles, managing director of Steetley.

Nottingham would fill in gaps in production by adding its plants in the East Midlands to Steetley's in the north and west.

Steetley would be brought nearer to the key markets in south east England which account for about a quarter of all bricks sold in the UK. And Nottingham's ivory bricks made from its paler local clay would complement Steetley's product range from Stoke's dark Etruria marl.

"Nottingham Brick fits like a glove geographically in Steetley's pattern and would also fit in with our brick marketing," said Mr Miles. "We have a new brick marketing team in place and now they're ready for the challenge of a larger company."

The spearhead of Steetley Brick's marketing team is the subsidiary's managing director, Mr Les Tench. He has spent most of his working life "having fun turning bathrooms from a commodity into a fashion business. And now I want to do the same with bricks."

He pointed out that there was no point in having Steetley's production capacity if it could not sell the bricks it made. "And the bricks produced at Parkhouse were boring and bland and easy to make, but had no particular appeal and made no particular statement. They looked like everyone else's bricks and had nothing to commend them.

"So I obsoleted the entire Parkhouse product range because they were not meeting customers' requirements, and demanded a whole new range of brick types to be in production in three months."

Steetley's development team already knew how to use the new electronic kilns at Parkhouse to produce different coloured and shaded bricks by altering the temperatures and times and oxygen levels of firing. They also added extra ingredients to produce the spotted, streaked, and multi-coloured flashed bricks which are now Steetley's best sellers.

"It is a new product range aimed at housebuilders in the south-east, where if you are paying £150,000 for a three-bedroomed semi-detached you do not want a plain red brick," said Mr Tench.

Mr Tench's attentions were not limited to completely changing the product range.

"The whole business needed a cultural shock," he said. "It was a typical traditional production led industry, with nice big offices for the senior staff, lots of prominently-labelled places to park their cars, drinks cabinets in most of the directors' offices, and everybody calling each other sir.

"So I dug up the fertilised, spiked and rolled front lawn and turned it into a carpark and divided up the directors offices to give the rest of the staff more space to do their jobs."

It remains to be seen whether such a style will appeal to Nottingham.

# UK COMPANY NEWS

## Food fuels Salvesen's profit rises

Christian Salvesen lifted its pre-tax profits by more than 11 per cent in the six months to September 30 1986 helped largely by substantial contributions from its food-related interests.

The food, property, marine and industrial company reported profit up from £19.3m to £21.5m on turnover that moved ahead to £138.3m (£133.7m).

Mr Gerald Elliot, the chairman, said the company's food activities, which had provided two-thirds of the £22.2m (£19.6m) operating profit, were expanding vigorously and had performed extremely well in the UK, on the continent and in the US. He expected them to keep full year profits ahead of last year's.

The new investment at Bourne, Lincolnshire, had contributed to a record pea season and overall the sector had upped its trading profit by 38 per cent.

The marine and industrial services had suffered from the sharp decline in oil prices, with a consequent decline in profit. The company's brick interests had had another record performance and work had started on a major new brickworks which would increase total output by more than 70 per cent.

Mr Elliot explained the decision to move out of both housebuilding and fishing as one designed to emphasise the focus of company business on providing efficient services for corporate customers.

The full year results would be affected by the sale of the housebuilding operations as there would be an interval between disposal and return from the investment of the proceeds.

The disposal of the seafoods business, coupled with the company's vigorous cash flow had kept interest charges to a modest level—£841,000 compared with £456,000 received.

Mr Elliot said capital investment continued at a high level, largely financed by the cash arising from the housebuilding disposals.

After tax virtually unchanged at £7.6m, earnings calculated on a weighted average emerged at 5.01p (4.32p). The declared interim was 1.375p (1.25p).

**● comment**

Christian Salvesen is resting easily on top of a bountiful pea harvest—which contributed £1m to the £3.7m rise in interim trading profits made by continuing businesses. Inevitably the sale of all but one of its regional housebuilding operations leaves the company more dependent than ever on what it calls its food related activities. However, the provision of dedicated storage and distribution services for Marks & Spencer's clothing departments and for spare parts on Mercedes-Benz cars is hardly food related. Salvesen is gaining custom as the high street multiples like M&S move their storerooms off balance sheet so as to free up more selling space. To keep up with demand for these specialised services, Salvesen is spending £50m a year adding to its network of coldstores, distribution centres and vehicles. The £40m-£50m proceeds from disposals should, aided by the usually good cash generation, still see £15m net cash by March. At 141p, down 9p, the shares are trading on a prospective multiple of 14 on forecasts of £43m pre-tax. This rating is unlikely to change unless the market decides that Salvesen, a dull stock since flotation, deserves something closer to that of a food retailer than a manufacturer.

## Baker Perkins falls by over £4m

WEAK MARKETS in the early part of the year, lack of large and profitable contracts on the food machinery side, and the cost of further rationalisation in England and France, combined to cut substantially the first half profit at Baker Perkins.

The market reacted by marking the shares down 14p to 225p.

Profit before tax was cut from £7.34m to £3.17m in the period ended September 30, 1986. But the directors were confident that results for the second half would be good. The interim dividend is 3.25p (3p) net.

They stated that recent improvements in order taking meant that most factories were well loaded for the rest of the year. They believed there would be a return to profitability in the bakery and chemical machinery business, and that would be backed up by much reduced rationalisation costs. For the 1985-86 year pre-tax profit came to £16m.

Sales in the six months totalled £137.85m (£128.3m) and produced a gross profit of £38.48m (£36.86m). Expenses rose by £5.3m and so cut the operating balance to £4.69m (£8.37m), and interest charges were up to £1.51m (£943,000). Earnings fell to 4.6p (15.4p).

The UK accounted for £3.84m (£8.29m) of the operating profit. Western Europe and the rest of the world went into losses respectively of £676,000 (profit £1.91m) and £217,000 (profit £86,000), while North America moved into a surplus of £1.74m (loss £1.9m).

In 1985 Baker Perkins BCS (food machinery) executed some exceptionally large and profitable contracts; this time, however, there were few similar contracts and costs were incurred in excess of those provided. Rationalisation costs were over £1.5m, net of savings.

**● comment**

The City had been expecting bad news but it had not bargained for profits being halved. As a result analysts were yesterday downgrading their estimates for the year from between £17m and £18m to between £15m and £16m. Part of Baker's problem was its decision to take the rationalisation costs in France and the UK on the chin: other companies might have taken them below the line. Another £1.7m blow was dealt by unexpected costs in getting two software contracts at BCS up to scratch. Again the problem seems unlikely to recur. The long term outlook for Baker is reasonable as demand for its products is rising at about 10 per cent a year. The rapid growth in the printing division's profitability will be difficult to sustain as competition increases but the company is confident that its bakery and chemicals equipment divisions are over the worst. A pre-tax profit of £15.5m this year puts the prospective p/e at about 9.5. That is probably low given Baker's potential but the market will take a while to forgive the company for yesterday's jolt.

## Margins fall at Godfrey Davis

Godfrey Davis (Holdings) returned pre-tax profits virtually unchanged at £2.4m for the six months to September 30 on turnover up £9.5m at £65.3m.

"We are in a year of consolidation following a period of growth," said the chairman, Mr Cecil Redfern. "There is every reason to believe that the ground work and investments in which we are now involved will begin to bear fruit in the next financial year."

The company, whose activities include Ford main dealerships and contract hire and leasing, acquired three residential parks this year for a total cost of £2.82m as well as two portable buildings companies for just over £1m.

The company was continuing with its efforts to improve the profitability of the Ford main dealerships, said Mr Redfern, and expected to open a new consolidated dealership in St Albans, amalgamating the three present sites.

Residential Park Homes and Contract Hire was continuing to expand and Godfrey Davis Portable Buildings was undergoing reconstruction and reorganisation.

Earnings per share were 5.8p, down from last year's figure of 6.2p.

## Fine Art trebles midway profit

CONTINUED GROWTH was shown by Fine Art Developments in the half year ended September 30 1986, with profits almost trebled from a 16 per cent lift in turnover.

The directors explained that improved product and buoyant trading conditions led to an increase in turnover in the major activities — mail order and greeting cards. At the same time greater operating efficiency and rationalisation were translated into a 27 per cent increase in operating profit, and further benefit came through a reduction in interest charges.

They said in the absence of unforeseen circumstances they expected substantial progress in the second half, and are lifting the interim dividend to 1.5p (1.2p) net. In the year ended March 31 1986 the group made a pre-tax profit of £10m, as benefits of the reorganisation began to show through.

In the half year turnover came to £66.63m (£57.6m), operating profit to £4.33m (£3.4m), and the pre-tax balance to £3.06m (£1.06m) after interest £1.27m (£2.34m). Earnings were 2.53p (1p) per share.

In pursuance of further expansion, the group's agency mail order business had entered a joint venture with Farepak, a premier company in the Christmas hamper market, and initial results from the first mailing were very promising.

On the manufacturing side £4m was committed to be spent.

**● comment**

It seems the world is buying greetings cards and wrapping paper all the year round, rather than just at Christmas and Fine Art, with the help of Thomas the Tank Engine and My Little Pony, is benefiting. The group dominates the mail order card market and is determined to build up its retail side, where it only has a 5 per cent market share, as a counterbalance. New store openings, together with the benefits of the rationalisation plan, should keep growth going in the core business. The icing on the Christmas cake is designed to arrive in the form of profits from crackers and hampers. The public will, Fine Art hopes, buy the former at Easter and save up for the latter all the year round. Although Easter crackers might not be to everyone's taste, these are superb figures and, unless the spirit of Scrooge descends, the group should make £15m this year, putting the shares at 183½p, up 14½p, on a prospective p/e of 13.

## Erskine House lifts halfway profit by 37%

THE TRANSFORMED Erskine House Group pushed up pre-tax profit by 37 per cent, from £1.4m to £1.9m, in the half year ended September 30 1986, and is raising the interim dividend from 0.9p to 1.2p net.

The 1985 figures were restated to include acquisitions on a merger accounting basis. Those acquisitions — the Barratt business from DRG in the UK and Zeno Systems in the US — transformed the shape of the group and greatly increased the commitment to office equipment distribution and servicing, said Mr Brian McGillivray, the chairman.

The office equipment businesses, now the most important area of operation, had improved and should do even better in the second half, he added.

Turnover rose 28 per cent to £33m. After tax £557,000 (£615,000) and minorities £3,000 (nil) the attributable profit came to £1.35m (£782,000) for earnings of 6p (4p) per share.

## FKB improves 34% to record £0.8m

FKB Group, a USM quoted sales promotion agency, yesterday reported record interim results for the six months to September 30 1986 with pre-tax profits climbing by 34.3 per cent to £810,000.

Mr Alfred Singer, the chairman, said he believed it was possible to view the group's prospects with confidence and the directors looked forward to a most satisfactory outcome for the full year.

Turnover rose from £4.2m to £5.97m.

Since the end of the half-year FKB has acquired F. D. S. Promotions, the leading European duty-free promotions consultancy. No interim dividend is again being paid, but it is the directors' intention that the growth in dividends for the full was also an extraordinary credit of £448,000.

## Fairline rises above £1m

AS EXPECTED Fairline Boats continued to expand over the second six months of 1985-86 and for the full year returned profits of £1.2m pre-tax, an improvement of 49 per cent over last time's £806,354.

Furthermore, the current year has started well and the company has an excellent order book.

The year to September 30 1986 saw turnover of this boat builder increase from £9.9m to £12.66m with exports again accounting for well over half.

Earnings emerged at 21.9p (14.4p) per share and a final dividend of 4p (2.7p) lifts the total to 6p (4.2p) net.

The directors said the balance sheet was strong and they did not anticipate any investment programme funding difficulties.

### BOARD MEETINGS

TODAY

Interims: Alpine Soft Drinks, Edbro, Kennedy Smale, Parkdale, Stonnigard.

Finals: Hunslet Holdings, Pict Petroleum.

FUTURE DATES

Interims:

| | |
|---|---|
| Gilbert House Investments | Dec. 8 |
| Moorgate Investment Trust | Dec. 9 |

Finals:

| | |
|---|---|
| Chemring | Dec. 17 |
| Humberside Electronic Controls | Dec. 9 |
| McLeod Russel | Dec. 9 |
| Reliant Motor | Dec. 12 |
| Westland | Dec. 11 |

## THE PROPERTY MARKET By PAUL CHEESERIGHT

# The City of London spreads west

### Demand for office space is growing fast enough to merge the City and West End markets

THE CITY of London is no longer an exclusive market, subject to its own peculiar whims and trends. Unmet demand for office space has pushed potential tenants west, south and east so that the City no longer denotes a combined address and function. It is just an address.

gfM sbrdlu cmfwyp vbgk vbkjl

But this has been happening at the same time as in the West End of London—the business districts of Mayfair, St James's, Soho, Covent Garden-Strand, Victoria-Belgravia and Marylebone-Bloomsbury—demand has also been outstripping space.

In a property context, the two areas are merging together to form a central London market. The linchpin is the financial community, growing by virtue of the development of London as an international centre and stimulated by the deregulation of the securities markets.

Jones Lang Wootton, in its 1986 City Office Review, has recorded a demand for 6m sq ft of office space in units of 20,000 sq ft or more, and of that threequarters has come from banks and securities houses. Broken down further, nearly two thirds of this financial sector demand is from overseas.

The demand from the financial sector has spilled over into the West End where, noted Richard Ellis after analysing the results of a survey carried out earlier this year of office occupiers, the take-up has increased significantly over the last 18 months.

The recent purchase of the Adelphi Building in the Strand area by Manufacturers Hanover Trust and the earlier tenancy taken by Salomon Brothers of Victoria Plaza point up the movement because, had the space been available, they would have no doubt preferred to have been in the City.

But there is a movement the other way. "From our survey, we found that those companies considering a non-West End location most frequently selected the City as a possible alternative. Similarly although the number was smaller, the majority of companies moving into the West End came from the City. In each, financial companies accounted for a significant proportion of the total," said Richard Ellis.

Put another way, what had been considered as two quite distinct markets are spilling over into each other. And what is happening among financial companies is cemented by two further factors.

First, the spread into the City of service companies — accountants, solicitors, architects, advertising and public relations agencies — all of which in the past have been more generally associated with the West End.

Second, the growing presence of foreign interests. Just as Jones Lang found a higher portion of the tenant demand in the City coming from international companies, so, in the West End, Richard Ellis calculated that 9 per cent of property investment came from overseas.

That investment took place in the 15 months to September. But it has been roughly over this period that the newest foreign element on the market has started to be influential. This is the interest from Japan, following the path trodden by US and continental European companies.

Vigers have calculated that up to 15 major Japanese companies are seeking City property investments. But geographically the Japanese needs spread west: witness the Japanese Airlines purchase of the Montcalm Hotel near Marble Arch and the Shimizu Construction purchase of a Mayfair property for redevelopment.

The foreign interest, combining with domestic demands, points to a buoyant market. In neither the City nor the West End is there anything like enough property available to meet current demand.

According to Richard Ellis, 5.7m square feet of new office accommodation will be developed in the West End by 1990. But annual turnover in the West End is more than 4m square feet, nearly at current City levels. "On an average basis this new supply represents some 100,00 square feet per annum less than was provided between 1982 and 1985," Richard Ellis said. But nearly half of the supply is coming through in the Victoria and Marylebone-Bloomsbury areas where, until recently, there was an over-supply.

In the City, interpreted in the widest sense as stretching west into Holborn, out over the eastern boundary and south to London Bridge, Jones Lang reported that in the middle of the year there was slightly more than 5m square feet of office space in units of more than 7,500 square feet under construction. A large part of this is in the northern part of the Square Mile, the site, for example, of the Rosehaugh Stanhope development, Broadgate.

But this activity does little to solve immediate accommodation problems, because nearly two thirds of the space under construction has been pre-let. Indeed, developers can now hold tenders for space becoming available.

At the same time, Jones Lang calculated, planning permissions had been granted for over 8m square feet of further space and planning applications had been lodged for nearly 6m square feet more. This suggests a matching of supply and demand within the next three years if planning consents are taken up.

"Implementation of all existing and prospective approvals could create an excess of supply overall by the beginning of the 1990s unless a corresponding new demand is generated during the interim," the Jones Lang report said.

It is all very uncertain, at least in the immediate confines of the City. "You tell me what will happen in the banking world over the next five years, and I'll tell you what will happen in the property world," commented Mr Chris Peacock of Jones Lang.

In the West End, however, there seems little chance that the supply and demand will fall into balance, at least in the districts covered by the Ellis survey.

This is partially reflected in the rent levels being touched. The market has been strong in the City, but so strong in the West End that, according to Mr Julian Shellard of Richard Ellis, "the rents are closer than they have ever been to those in the City."

This refers to the top rents in the prime areas like Mayfair and St James's on one hand, and the top rents in the central City area on the other. But rents outside the City core have in fact been rising faster than those within it, so that the differential between the two has probably narrowed to around 15 per cent from 50 per cent in the early 1980s.

Rent levels, however, are only symptomatic of a fundamental factor. New construction is proceeding much faster in the City than in the West End. Over, say, three or four years, the pressure on rent levels is likely to be stronger in the West End than in the City if current levels of demand are maintained.

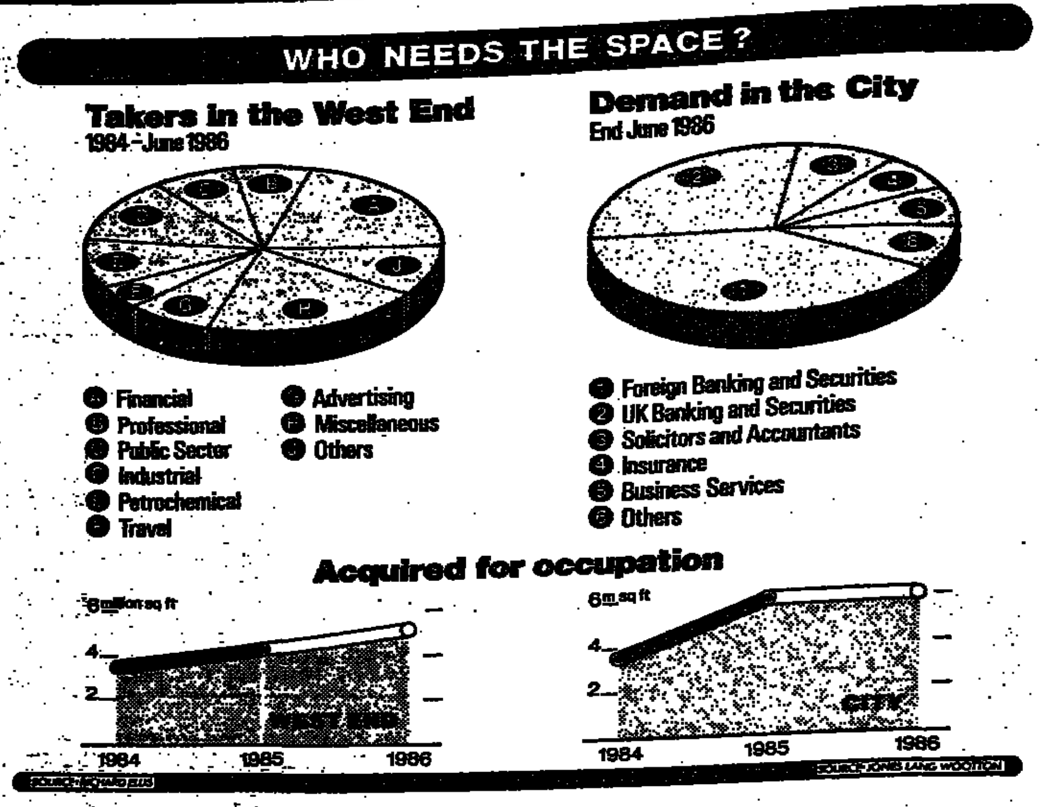
This, in turn, points up the difference in planning policies between the City of London Corporation and the Westminster City Council.

Since last May, the City has been following policies designed to remove constraints on development outside the central core area, the historic Victorian and Edwardian centre. Since the cut-off point of the Jones Lang survey, a spate of new planning permissions has been granted.

But no such policy has been followed by Westminster, whose main conservation area in St James's and Mayfair is precisely the area which is most seductive for newcomers seeking accommodation.

Indeed, the conservation policies of Westminster are arguably stricter than those of the City because often they rule out refurbishment behind existing facades, a relatively common practice in the City, by demanding the preservation of interiors.

Given that office unit sizes in the West End are generally smaller than those in the City already, it is possible to envisage a central London market where demands for large space are met in the City and demands for smaller space go to the west.



# FT COMMERCIAL LAW REPORTS

## 'Grates and stoves' includes hair dryers

THE SOUNION
Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Lloyd and Lord Justice Nicholls): December 2 1986

**A SHIPOWNER'S liability to pay for fuel used for "cooking . . . grates and stoves" under the New York Produce Exchange form of time charter covers fuel for all the crew's domestic purposes and not merely for cooking and heating.**

The Court of Appeal so held when allowing an appeal by charterers, British Steel Corporation, from Mr Justice Gatehouse's decision that Summit Investment Incorporated, owners of the Sounion, were liable to account for the crew's domestic heating only, and not for fuel for other domestic uses.

* * *

SIR JOHN DONALDSON said that in 1913, which saw the birth of the Nype form of time charter, ships were steam-driven and boilers were coal-fired. The crew's quarters were equipped with grates and stoves.

Today many ships used oil. A ship equipped with a grate or stove must be a great rarity. Nevertheless, the Nype form continued to refer to "grates" and "stoves," and the court was called upon to construe the phrase.

The scheme of the time charter was that owners should provide for the crew, insurance and stores, and charterers paid hire and met the additional expenditure involved in movement of the vessel.

The only complication was when the same commodity had to be bought and used partly for owners' and partly for charterers' purposes. Adjustments were made so that each bore a proportion of the cost.

In 1913 coal was in that category, being required for raising steam when the vessel was under way in fulfilment of charterers' purposes, and for burning in grates and stoves to enable the crew to cook and remain warm, which were owners' purposes.

In 1946, when the charter was last revised, coal had disappeared and been replaced by oil. Oil not only drove the engines and provided for warmth and cooking, it also provided electricity. That electricity provided lighting used almost exclusively for owners' purposes, and power for crews' (and therefore owners') purposes such as air-conditioning, refrigerators, freezers, televisions, videos, radios, pin-ball machines, hair dryers and electric razors.

Clause 2 of the charter provided that the charterers should "provide and pay for all the fuel except as otherwise agreed." Clause 20 provided that fuel used by the vessel while off-hire and "for cooking . . . or for grates and stoves . . . to be allowed by owners."

The problem was how "or for grates and stoves" was to be construed in November 1979 when the relevant charter was agreed.

The charter contained an arbitration clause providing for three arbitrators. All three rejected the view that the phrase should be treated as inapplicable in modern conditions and ignored. A majority decided that the phrase was to be construed as referring to fuel for crew's domestic purposes.

They said the intention of clause 20 was to provide that the owners remained responsible for the cost of fuel consumed solely for crew's purposes and the fact that the power source might have altered and the range of equipment was extended in no way detracted from the fundamental principle that fuel for domestic consumption remained owners' account.

The minority arbitrator decided that the phrase was to be construed as referring only to the cost of fuel used for crew's domestic heating. He said that giving the words "for cooking . . . or for grates and stoves" their ordinary and natural meaning, they were not appropriate to cover fuel used in providing "air-conditioning, or power for televisions, video machines, pinball machines, hair dryers and any other fuel-consuming indulgence the crew may be allowed."

Mr Justice Gatehouse said that while he recognised the commercial good sense of the majority view, the minority approach was correct. To construe the clause as referring to the supply of heating for the crew was to give a modern substitute for "grates and stoves." He therefore allowed the owners' appeal.

The charterers appealed.

In seeking to divine the deemed intention of the parties the court had to place itself in thought in the same factual matrix as that in which the parties were, and was justified in assuming that both intended to further the commercial purpose of the charterparty

The phrase did not fall to be construed in the context of an age when lighting was produced by lamps fuelled by a source of energy (paraffin) other than the vessel's fuel and when domestic heating was provided by burning the time charterers' coal in grates and stoves.

It fell to be considered in an age when time charterers' fuel was used to produce steam and electricity for domestic lighting, heating, cooking and "any other fuel-consuming indulgences that the crew might be allowed."

No doubt it would be possible to calculate how much fuel was used to provide domestic heating which, as was conceded, was within the scope of the phrase. There was no basis in principle, commercial justice, common sense or reason, for requiring the owners to pay for the cost of fuel used to run an air-conditioning plant when it was blowing hot but not when it was blowing cold.

The same could be said of fuel used to cool food in freezers or refrigerators, as contrasted with fuel used to defrost and heat that food.

The "fuel-consuming indulgences" of the crew might be in a different category, but it was suspected they made a minimal contribution to the bill.

The conclusion, in agreement with the majority arbitrators, was that clause 20 was intended to extend the owners' liability to all fuel used for crew domestic purposes, whether that were lighting, heating, cooking or crew "indulgences."

The appeal would be allowed.

Lord Justice Lloyd and Lord Justice Nicholls agreed.

*For the owners: Charles Macdonald (Swinnerton Ashley-Claydon and Co.).*

*For the charterers: Dominic Kendrick (Richards Butler).*

**By Rachel Davies**
*Barrister*

THESE REPORTS are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.



## Company Notices

**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED**
(Incorporated in the Republic of South Africa)
Registration No. 01 05309 06
NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER
PAYMENT OF COUPON No. 106

[illegible]

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Office: 40 Holborn Viaduct, London EC1P 1AJ
4 December 1986

**AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED**
(Incorporated in the Republic of South Africa)
NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER
PAYMENT OF COUPON No. 78

[illegible]

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Office: 40 Holborn Viaduct, London EC1P 1AJ
4th December 1986

**AMER GROUP LTD**

NOTICE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Amer Group Ltd will be held at the Group's Head Office at Tuusula on Friday 19 December 1986 at 2 pm (Finnish time).

The meeting will deal with matters of ordinary business, complying with paragraph 15 of the Articles of Association.

According to the Articles of Association, any shareholder wishing to attend the Annual General Meeting should inform the Company's Head Office by phone on 358-0-255 311/155 or by letter to Amer Group Ltd, POB 12, SF-04301 Hyrylä, Finland, not later than Tuesday 16 December 1986. A shareholder who has not been entered in the share register must provide evidence of his title to his share.

The dividend less statutory advance tax proposed by the Board of Directors shall be payable, subject to approval by the Annual General Meeting, at any office of Kansallis-Osake-Pankki in Finland from Monday 22 December 1986.

The right for exemption or reduction of advance tax will expire on 22 January 1987.

Copies of the documents concerning the closing of accounts are open for inspection by the shareholders as from Tuesday 9 December 1986 at the Group's Head Office at Tuusula. Upon request the Company will also send copies of the said documents to the shareholders.

BOARD OF DIRECTORS

## Legal Notices

A client of the undersigned company has an unsatisfied Final Judgment in England given by the High Court of Justice, Queen's Bench Division, London, against, inter alia,

MR. SLIMANE BOUGUERRA
for
US$4,542,581.95

Anyone with information as to where assets of Mr. Slimane Bouguerra may be located is invited to contact:
CONCORDE INTERNATIONAL (UK) LIMITED
51, Berkeley Square, London W1X 5DB (Attn. MH/AFN)
(Tlx: 9419145 CONCRD G)

## Company Notices

**RAND MINES LIMITED**
(formerly Transvaal Consolidated Land and Exploration Company Limited)
Registration Number 01/00656/06
(Incorporated in the Republic of South Africa)
A Member of the Barlow Rand Group
PAYMENT OF COUPON NO. 95

[illegible]

**RORENTO**
EXTRAORDINARY INFORMATIVE MEETING OF SHAREHOLDERS

[illegible]

## Legal Notices

THE ROYAL BANK OF CANADA
Floating Rate Debenture Notes due 2005

NOTICE IS HEREBY GIVEN that for the interest period commencing 8th December 1986, the notes will bear interest at the rate of 6⅛% per annum. The interest payable on 9th March 1987, against coupon 3 will be US$16.114583 per US$1,000 nominal.

Agent Bank
ORION ROYAL BANK LTD.

CHARITY COMMISSION
CHARITY
THE WILLIAM LEECH PROPERTY TRUST

The Charity Commissioners propose to make a Scheme for this Charity. Copies of the draft Scheme may be obtained from them (ref: 255481-A/1-L1) at St. Albans House, 57-60 Haymarket, London SW1Y 4QX. Objections and suggestions may be sent to them within one month from today.



NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
STAR MICRONICS CO., LTD.

[illegible]

336 Strand, London, WC2R 1HB
December 5, 1986

US$300,000,000
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Floating Rate Notes due 2000

Notice is hereby given that the next interest period chosen by Caisse Nationale des Telecommunications is one month, beginning December 18th, 1986.

The Fiscal Agent
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## Legal Notices

THE COMPANIES ACTS 1948 TO 1981
WESTERN MEDICAL LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 588 of the Companies Act 1985, that a Meeting of the Creditors of the above-named Company will be held at 33/34 Chancery Lane, London WC2A 1EW, on Wednesday, the 17th day of December 1986, at 11.30 o'clock in the forenoon, for the purposes mentioned in sections 589 and 590 of the said Act.

Dated this 1st day of December 1986.
By Order of the Board,
K. GARDNER,
Secretary.

THE COMPANIES ACTS 1948 TO 1981
NORTHINIAN LESSEES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 588 of the Companies Act 1985, that a Meeting of the Creditors of the above-named Company will be held at 33/34 Chancery Lane, London WC2A 1EW, on Wednesday, the 17th day of December 1986, at 12.00 o'clock in the forenoon, for the purposes mentioned in sections 589 and 590 of the said Act.

Dated this 1st day of December 1986.
By Order of the Board,
K. GARDNER,
Secretary.

# TECHNOLOGY: Computing

BY ALAN CANE

# IBM at a software crossroads

THE computer industry is waiting eagerly to see what direction IBM will take with its next personal computer (PC). An announcement is expected early in 1987 and rumours are already rife in the industry, reports **Phil Manchester**.

Speculation about future computers usually concerns the chip to be used for the processing "engine," what size the disk drives will be and the capacity of its memory.

This time, however, the software content of IBM's future personal computer is at the core of the speculation. And the area of software which most concerns the industry and computer users alike is the operating system.

A computer system is like an iceberg. A lot of it is beneath the surface. The operating system is one of the components out of view.

Most computer users are only interested in the "tip" of their systems, the so-called applications software, such as US products like Lotus 1-2-3, Ashton-Tate's dBase and Micropropo's Wordstar. But applications software depends on operating systems software to perform many tasks. Operating systems dictate the form of the application software and the hardware features that it can use. If Lotus 1-2-3 is required to store a spreadsheet on a disk, it must go through the operating system. If Wordstar is asked to print out a letter, it too must go through the operating system.


The current speculation over the future of IBM PC software centres on advances in computer hardware and matching demands from users' applications. IBM's new PC seems certain to be based on the latest in a long line of processor chips from the chip-builder Intel. Called the 80386, this chip offers features that promise faster processing speeds and greater memory sizes. It has already been used in advanced personal computers released by manufacturers such as Compaq of the US and Rair of the UK.

The problem is that the 80386 is far in advance of current software technology. When Compaq launched its 80386 PC it wheeled out representatives from leading software companies like Lotus and Ashton-Tate who all said they would "support" the new chip. But so far they have not produced software which can fully exploit the 80386.

One reason for the delayed appearance of this software is that the MS/DOS operating system, used on most PCs (IBM and otherwise), is severely limited. MS/DOS developer Microsoft is working to upgrade its product allow applications to exploit the new hardware.

Although an interim version which will offer some new features could be ready early in 1987, Microsoft admits that it will be a year or two before it can release software which will do the job properly. This has raised a question mark over the future of MS/DOS as the computer industry's standard operating system.

MS/DOS, IBM's version of which is called PC/DOS, now faces several competitors in the operating system market. The leading rival is Digital Research, which will be releasing a new version of its Concurrent Dos operating system in the new year. Called Concurrent Dos XM, this offers some of the features that can be supported on the 80386 chip. XM can, for example, allow two or more programs to work at the same time. It can also make use of much greater memory sizes.

Microsoft also faces competition from IBM itself. IBM would like to control its own operating system standard. Not only would this boost IBM's software revenues, it would also help it in its battle against the so-called PC clone-builders. The most likely candidate from IBM would be a version of the AIX operating system, released with its RT/PC reduced instruction set (risc) workstation last January.

AIX is a modern piece of software built from scratch by IBM. It can offer many features needed for advanced processor chips like the 80386. It can handle large memory sizes and it can run software built for other operating systems like MS/DOS and Unix. AIX has been welcomed by many software developers. They have quickly moved their products for the RT/PC to work under AIX.

Although the new IBM PC will almost certainly be launched with a version of MS/DOS, IBM might hedge its bets and offer something like AIX too. With AIX, IBM has managed to build a piece of software which can easily be adjusted to accommodate existing and future applications. This makes it an ideal environment for future IBM personal computers.

Phil Manchester is the consulting editor of the FinTech Software Markets newsletter.

# New chip's speed shows in graphic detail

SEMICONDUCTOR manufacturers and software companies are collaborating to ensure that high-speed, high-quality graphics will be available on conventional personal computers early next year.

In one of the more exciting developments, Digital Research, the innovative US software house which developed the world's first widely used 8-bit microcomputer operating system, is collaborating with Intel, the semiconductor manufacturer which provides chips for IBM personal computers and their clones.

The result is the promise of hardware and software which will produce graphics processing speeds up to 20 times faster than Digital's software can achieve with existing processing circuitry.

Digital's software is called Gem — Graphics Environment Manager. It offers a variety of features for the graphics user — Gem/Desktop, for example, makes any popular business microcomputer look like an Apple Macintosh, complete with high-quality screen images and "icons" (small pictures which take the place of elaborate textual commands).

What Digital has done is to modify its Gem software to exploit the full potential of a new microprocessor chip from Intel, the iAPX 82786.

The 786, as it is known, is a graphics co-processor. It co-operates with the central processing chip to provide powerful graphics facilities chiefly by taking the strain of graphics processing.

Computers designed of high-quality graphics have "bit mapped" screens That means that each definable point on the screen is controlled by a single binary digit (bit) or group of binary digits in the computer's memory.

Extremely high resolution—up to 300 points to the inch—is possible, but the processing load in handling all those bits can be substantial.

To work at 300 points an inch, according to Mr Paul Bailey of Digital Research, increases the processing load 34 times: "enough to strain a computer powered by the Intel 386." The 386 is Intel's new, 32-bit microprocessor which is expected to be the basis of IBM's new generation of microcomputers.

So the problem with most personal computers and low cost workstations is that they take too long to create and display images.

This problem is being compounded by the popularity of Apple Mackintosh like systems where pictures replace typed commands. The user interface is excellent but the systems are slow compared to text based machines.

The new Intel chip contains a fast graphics processor that can perform an extensive set of drawing operations, and a display processor which performs video generation and windowing (sub division of the screen into separate areas each assigned a separate and simultaneous task) operations in hardware.

The New Gem software, GEM-786, is the key to unleashing the full power of the chip.

According to Digital Research, initially the technology will be implemented by upgrading personal computers with higher quality monitor screens and plug-in graphics cards fitted with the new chip.

"This will enable Gem graphics software to run up to 20 times faster than it runs with current graphics cards. By the end of 1987 a new generation of graphics-based microcomputers will appear, built round the 786 which will offer a level of screen resolution approaching that of advanced laser printers."

In other words, the screen image will correspond exactly to what is printed out. By that time, graphics quality at present achieved only by expensive computer-aided design workstations will be available to the ordinary business user.

# Parallel route to absolute performance

COMPUTING is today on the verge of a technological revolution which will bring increases in performance and decreases in cost more dramatic than any seen hitherto.

Within a few years, engineers and other users of substantial computer power could have workstations on their desks costing only £20,000 but with the power of today's £6m supercomputers.

This is the chief conclusion of a new report from the London-based computing consultancy Ovum*.

It examines the development of parallel processing design concepts and concludes that they not only offer the only route to maximum absolute computer performance but also promise to overturn the price structure of the high performance computer market.

The authors, Tim Johnson and Tony Durham warn that the move to parallel processing does not represent simply another technological innovation: "It will force the user to make a choice. Transferring to parallel machines will almost invariably require changes and decisions.

"At the minimum there will be changes in software and operating methods. At the other end of the scale, the opportunities offered by parallel processing are so great that some users will want to change their working methods at a fundamental level."

These are not revolutionary ideas. Most data processing specialists accept that parallel processing, where a number of separate computer operations are processed simultaneously rather than one at a time, as is the case with most commercial machines today, is the way of the future.

The Ovum study, however, presents the detailed arguments cogently and persuasively. On investment, for example, it says: "Parallel processing seems likely to present one of the widest and most attractive ranges of investment opportunities of any new technology now emerging."

There will be, it says, at least one billion-dollar parallel processing company in the 1990s. Where are today's major manufacturers in all of this?

IBM, it says, is taking the new design concepts very seriously, expanding outwards from its existing large machine philosophy of coupling together conventional processors to a range of innovative projects, some of them involving the Inmos transputer, a chip designed to be especially well suited to parallel processing.

Cray Research, maker of the world's fastest existing supercomputers, will face increasingly serious challenges as its competitors develop parallel architectures, the report argues.

It points out that the company is having trouble with delivery dates on its new Cray 3 supercomputer, based on chips made of gallium arsenide, which enable superfast processing speeds.

The machine will connect 16 separate processors together to give a computer capable of operating at perhaps 10,000m floating point operations a second.

Ovum argues that the new computers can be divided into two product categories, "farms" and "cubes."

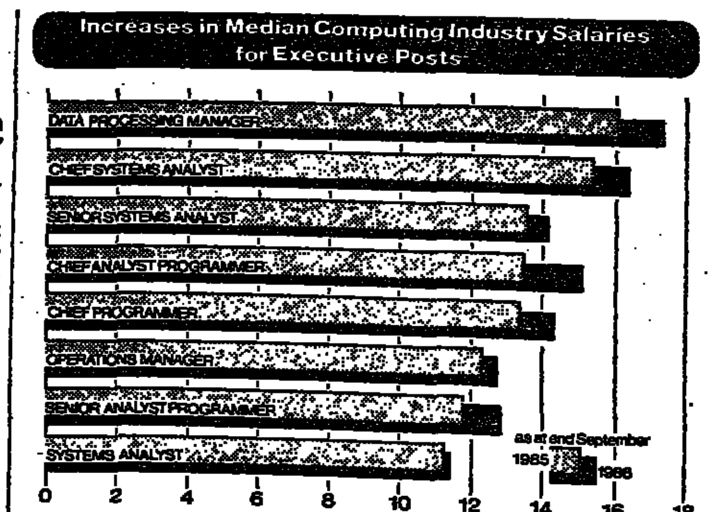
Farms typically "farm out" processing tasks to a small number of powerful processors—the Cray machines are of this type.

Cubes, on the other hand, use hundreds or thousands of standard microprocessors connected together in networks. The "hypercube" design, developed at the California Institute of Technology, is typical of this genre.

Cubes offer the cheapest and most cost-effective processors available, Ovum says, but their users have to develop entirely new programming algorithms to exploit their full potential.

* Parallel Processing, Ovum, London 01-637 4661 £320. Ovum, US (201) 359 0808 $495.

Increases in Median Computing Industry Salaries for Executive Posts




# Biggest salary increases go to development staff

MEDIAN salaries in the data processing industry have risen by 4.5 per cent over the past 12 months according to the latest edition of the Computer Users Year Book.*

Its survey says that development staff achieved median increases close to 8 per cent while operations staff lagged behind with increases in median salary of only about 2.5 per cent across all job categories.

The compilers of the Year Book warn that too much should not be read into any particular figure, given that the sample from which the numbers are obtained varies from year to year, but they say there is a clear trend towards paying higher increases to development staff.

"This is not surprising" they say "given the more rapid growth in the requirement for development staff than for personnel to perform operations functions." For every installation increasing operations staff in the past year, they say, two increased development staff.

Despite the fact that skilled data processing staff are in short supply, and have been for some time, the Year Book says the figures show the industry is not getting preferential treatment: a year ago the average increases being paid to development staff were around 7.2 per cent. Staff in the private sector did 1.75 per cent better than those in the public sector."

The 817 installations which responded to being asked to forecast salary increases over the next 12 months produced an average increase figure of 6.34 per cent.

* Computer Users Year Book, VNU Publications, 01-439 4242, £85.

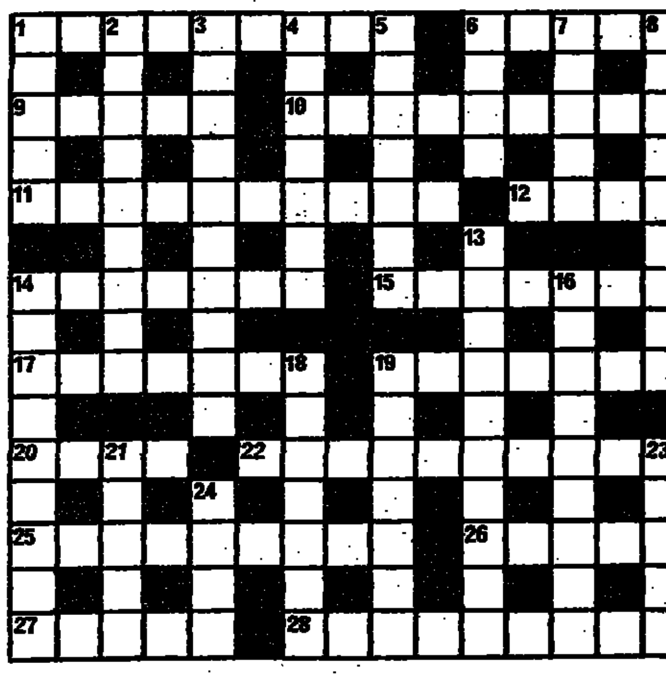
# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE



## FT CROSSWORD PUZZLE No. 6,195

**CINEPHILE**



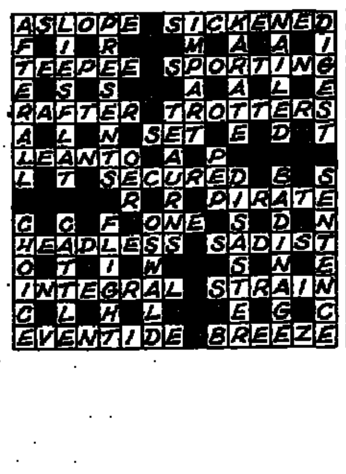
**ACROSS**

1 Let crossword compiler entertain you? (2, 2, 5)
6, 23 Less than carte blanche for policy statement (5, 5)
9, 23 Make sure you get the FT to wave in the house (5, 5)
10 Thoroughly corroded, left inside to be produced as a meal (7, 2)
11 Sin, in rough exposition, is good for one (10)
12, 23 The rough for the smooth? (9)
14, 23 Make absolutely sure you get the FT, as above? (7, 5)
15 Pinch a bit? (7)
17 Re-enter fold of earth (7)
19 Abandon lease for a bit of liquid (7)
20, 23 What fivers are made of? It may need padding (9)
22 Melt tapers for nightlight (6, 4)
25, 23 This is how to show apples are windy (5, 9)
26, 23 Put your foot down on father by means of sticky stuff (5, 5)
27, 23 Ecological organ for consultation (5, 5)
28 He's cruel to people between hills (9)

**DOWN**

1, 23 Sort of study for exam, perhaps, with string attached? (5, 5)
2 1499 on lintel in time for dream? (9)
3 Grate mined, spelt differently, sprouted (10)
4 Listener to the old copper in contact with the soil? (7)
5 Herbal drinks could be nasties (7)
6, 23 Fats, including mash, may be cut to size (4-5)
7, 23 A page enters in nappy, soft and thin (5, 5)
8 Appropriate resort (9)
13 Discriminating fellow, frequently a saint in long hair (3, 2, 5)
14 Rotter without sunburn and rising god aren't friends (3, 3, 3)
16 Spanish composer's role is to disintegrate (4, 5)
18 Beg to get change of rent and not starve (7)
19 Theatrical assistant needed for Hair? (7)
21 Journey to the East for food (5)
23 See elsewhere
24 Address to god as male, by the sound of it (4)

*Solution to Puzzle No. 6,194*




# INSURANCES

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| American Acc | 101.3 | 106.6 | +1.1 | — |
| Deposit Acc | 99.5 | 104.7 | | — |
| European Acc | 111.1 | 117.0 | -0.6 | — |
| Far Eastern Acc | 111.5 | 117.4 | -0.5 | — |
| Fixed Interest Acc | 82.5 | 86.8 | +0.5 | — |
| International Acc | 108.9 | 114.6 | +0.1 | — |
| Property Acc | 116.9 | 123.0 | -0.3 | — |
| UK Equity Acc | 92.4 | 97.3 | -0.4 | — |
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| Managed Acc | 97.3 | 102.4 | .... | — |
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| Managed Acc—Pensions | 105.1 | 110.6 | -0.4 | — |

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| | | | | |
|---|---|---|---|---|
| Barclaybond | 354.9 | 373.6 | +0.4 | — |
| Managed Accum. | 300.9 | 316.8 | +0.3 | — |
| Equity Accum | 435.5 | 458.3 | +0.3 | — |
| Property Accum | 206.8 | 217.7 | ..... | — |
| International Accum | 278.9 | 293.6 | +2.8 | — |
| Gilt-edged Accum | 193.3 | 203.5 | -1.6 | — |
| Money Accum | 176.2 | 185.5 | | — |
| American Accum | 184.6 | 194.4 | +1.0 | — |
| Australia Accum | 161.5 | 170.0 | +3.2 | — |
| Financial Accum | 203.1 | 213.8 | +0.3 | — |
| "500" Accum | 218.6 | 230.2 | -0.1 | — |
| European Grwth Accum | 148.2 | 156.1 | +1.9 | — |
| Income Accum | 240.9 | 253.6 | -0.1 | — |
| Japan & Gen Accum | 324.1 | 341.2 | +5.9 | — |
| Leisure Accum | 140.0 | 156.9 | +0.1 | — |
| Spec Sits Fd Accum | 121.6 | 128.0 | -0.2 | — |
| Universal Tec Accum | 110.9 | 116.8 | +0.7 | — |
| Managed Pns Accum | 400.1 | 421.2 | +0.2 | — |
| Equity Pns Accum | 144.5 | 152.2 | -0.2 | — |
| Intnl Pns Accum | 156.9 | 165.2 | +2.0 | — |
| Gilt-edged Pns Accum | 275.5 | 290.0 | -2.3 | — |
| Money Pns Accum | 256.3 | 269.8 | ... | — |
| Property Pns Accum | 107.2 | 112.9 | ... | — |

For prices of Inrual Units phone 01- 534 5544.

## Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405161

| | | | | |
|---|---|---|---|---|
| Black Horse Man. Fd | | 362.98 | .... | — |
| Income Fd | 331.99 | 349.47 | .... | — |
| Extra Income Fd | 316.43 | 333.09 | .... | — |
| Worldwide Growth Fd | 325.98 | 343.14 | .... | — |

## Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

| | | | | |
|---|---|---|---|---|
| Equity Fd(A&B) Dec 3 | 252.5 | 266.0 | -0.9 | — |
| Fixed Int(A&B) Dec 3 | 163.0 | 172.5 | +1.5 | — |
| Man Grwth(A&B) Dec 3 | 529.0 | 557.0 | +2.5 | — |
| Money Fd (A&B) Dec 3 | 142.5 | 150.0 | ... | — |
| Cap Fd(A&B) Nov 15 | 400.0 | | ... | — |
| G.&S SpecFd(A&B)Nov15 | 166.0 | | ... | — |
| FarEastEqty(A&B)Dec 3 | 187.5 | 197.5 | +4.5 | — |
| N Amer Eqty(A&B)Dec 3 | 108.5 | 114.5 | +2.0 | — |
| IntTechnlgy(A&B)Dec 3 | 156.5 | 165.0 | +1.5 | — |
| Property (A&B) Dec 3 | 196.5 | 207.0 | +1.0 | — |

## Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

| | | | | |
|---|---|---|---|---|
| **Life Funds** | | | | |
| UK Equity | 141.8 | 149.5 | -0.8 | — |
| American Equity | 125.1 | 131.9 | +2.7 | — |
| Far East Equity | 168.0 | 177.2 | +6.0 | — |
| Managed Fund Acc | 371.0 | 391.0 | +2.0 | — |
| International Equity | 193.4 | 204.0 | +1.2 | — |
| Gilt Edged | 180.0 | 189.8 | +0.8 | — |
| Money Fund | 144.6 | 152.5 | | — |
| CCL Henderson | 161.4 | 170.2 | +0.5 | — |
| CCL Perpetual | 205.4 | 216.6 | +3.1 | — |
| CCL Property | 228.8 | 241.3 | -1.3 | — |
| Smaller Cos. | 249.3 | 263.0 | -0.2 | — |
| Perpetual Eurogrowth | 121.0 | 127.6 | +3.1 | — |
| CCL Hend'son Prime Res | 97.5 | 102.8 | -0.1 | — |

## Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

| | | | | |
|---|---|---|---|---|
| Ultimate Mngd Fund | 172.9 | 182.0 | +0.5 | — |
| Criterion Mngd Fund | 166.0 | 174.8 | +0.4 | — |
| Pension Mngd Cap | 52.2 | 54.9 | +0.2 | — |
| Pension Mngd Acc | 61.6 | 64.8 | +0.3 | — |
| Pension G'nteed Dep Ac | 34.6 | 36.5 | | — |

For closed Fund unit prices ring 0730 63281

## Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

| | | | | |
|---|---|---|---|---|
| **Life Funds** | | | | |
| American Acc | 103.2 | 108.6 | +0.3 | — |
| Equity Acc | 374.2 | 393.8 | -0.3 | — |
| European Acc | 187.8 | 197.6 | +0.2 | — |
| Fixed Interest Acc | 208.1 | 219.0 | -1.8 | — |
| High Income Acc | 356.5 | 375.2 | -0.4 | — |
| Intnl. Acc | 351.0 | 369.4 | +1.8 | — |
| Inv. Trust Acc | 410.3 | 431.8 | -0.1 | — |
| Japanese Acc | 168.7 | 177.5 | +2.4 | — |
| Managed Acc | 311.6 | 327.9 | -0.5 | — |
| Money Acc | 179.3 | 188.7 | +0.1 | — |
| Property Acc | 186.4 | 196.2 | | — |
| **Individual Pension Funds(z)** | | | | |
| American | 115.7 | 121.7 | .... | — |

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# INSURANCE, OVERSEAS & MONEY FUNDS

**Sun Life of Canada (UK)—Contd**
**Pension Plans**

| | | | | |
|---|---|---|---|---|
| Pers. Pens. Account | 792 7 | | +4.0 | |
| Pers Mgd Acc—Fd Accm | 369 0 | 388.6 | +7.9 | — |
| Pens. County Fd. Acc. | 137 2 | 144 4 | +0.5 | — |
| Pens. Prprty Fd. Acc. | 111.6 | 117.5 | +0.4 | — |
| Pens. Fixed Int. Fd Acc. | 114.9 | 120.9 | +0.4 | — |
| Pens. Int. Fd Acc. | 135.8 | 143.0 | +1.1 | — |
| Pens. Money Fd Acc. | 114.4 | 120.5 | +0.3 | — |
| Pens. Ind-Lnkd Sec Acc. | 98.7 | 103.9 | +0.4 | — |
| Pens. Gilt Fd Acc. | 112.9 | 118.9 | +0.2 | — |

**Sun Life Unit Assurance Ltd**
St. James Barton, Bristol BS99 7SL — 0272 426911

| | | | | |
|---|---|---|---|---|
| Managed Acc. | 432.8 | 455.6 | −1.0 | — |
| Property Acc. | 216.3 | 227.7 | +0.1 | — |
| Equity Acc. | 573.9 | 604.2 | −4.3 | — |
| Fixed Interest Acc. | 190.2 | 200.3 | −1.4 | — |
| Index-Linked Acc. | 110.6 | 116.4 | | — |
| Cash Acc. | 185.7 | 192.6 | | — |
| American Equity Acc. | 201.6 | 212.3 | +0.7 | — |
| U.S. Bonds Acc. | 138.7 | 146.0 | −0.2 | — |
| Japan Acc. | 225.6 | 237.4 | +4.1 | — |
| Pacific Acc. | 147.4 | 155.2 | −0.9 | — |
| Far Eastern Acc. | 428.4 | 451.0 | +3.3 | — |
| International Acc. | 368.4 | 388.1 | +2.7 | — |
| U.S. Dollar Acc. | 100.0 | 105.3 | +0.1 | — |
| Yen Acc. | 128.5 | 135.3 | −0.1 | — |
| European Currency Acc. | 118.7 | 125.0 | | — |
| Distribution | 172.6 | 181.7 | −0.2 | 8.52 |
| European | 130.5 | 137.4 | +1.2 | — |

**Sun Life Pensions Management Ltd**
(funds for individual pension contract)

| | | | | |
|---|---|---|---|---|
| Pens. Managed Acc. | 468.2 | 492.4 | −0.7 | — |
| Pens. Property Acc. | 182.9 | 192.6 | | — |
| Pens. Equity Acc. | 581.4 | 612.1 | −2.3 | — |
| Pens. F. Interest Acc. | 193.8 | 204.0 | −1.5 | — |
| Pens. Ind. Lnkd. Acc. | 110.7 | 116.6 | −0.2 | — |
| Pens. Cash Acc. | 197.5 | 207.9 | +0.1 | — |
| Pens. Amer. Equity Acc. | 195.6 | 205.9 | +0.4 | — |
| Pens. U.S. Bonds Acc. | 155.1 | 163.3 | −0.1 | — |
| Pens. Japan Acc. | 228.4 | 240.5 | +1.1 | — |
| Pens. Pacific Acc. | 183.7 | 193.4 | | — |
| Pens. Far Eastern Acc. | 655.5 | 690.1 | −0.6 | — |
| Pens. Internal. Acc. | 521.9 | 549.4 | +3.1 | — |
| Pens. U.S. Dollar Acc. | 105.8 | 111.4 | | — |
| Pens. Yen Acc. | 153.6 | 161.7 | | — |
| Pens. Euro. Curr. Acc. | 133.9 | 141.0 | +0.1 | — |
| Pens. Euro. Acc. | 134.3 | 141.4 | +1.4 | — |

**Swiss Life Pensions Ltd**

**Johnson Fry Plc**
Princes Ho, 36 Jermyn St, LonSW1Y 6DT 01-439 0924

| | | | | |
|---|---|---|---|---|
| J Fry Man M&G Fd(z) | 134.2 | 140.9 | −0.6 | |
| J Fry Man Tmpl Prf Fd(z) | 92.4 | 97.0 | −0.3 | |
| J Fry Man Vanbrugh Fd. | 100.7 | 105.7 | −0.4 | |
| J Fry Norwich Union | 96.1 | 100.9 | +0.3 | |

**Knight Williams & Company Ltd**
33 Cork Street, London W1X 1HE. 01-409 0271

| | | | | |
|---|---|---|---|---|
| KW M&G Managed | 97.6 | 102.6 | | — |
| KW Henderson Man 1 | 95.3 | 100.4 | | — |
| KW Henderson Man 2 | 96.0 | 101.1 | | — |
| KW GRE Managed | 100.1 | 105.4 | +0.5 | — |
| KW Schroder Man | 97.1 | 102.2 | | — |
| KW Provincial Man | 95.1 | 100.2 | +1.0 | — |
| KW CM&G FB Man | 99.7 | 105.0 | | — |
| KW Albany Man | 98.9 | 104.1 | +0.1 | — |
| KW Crown Man | — | — | | — |
| KW Rpl Heritage Man | — | — | | — |

**Lamont & Partners Ltd.**
48 Charles St., London, W1X 7PB. 01-629 4509

| | | | | |
|---|---|---|---|---|
| Premier Mangd Accum | 166.7 | 175.5 | | — |

**Management & Executive Ltd**
Royal Hse. Sovereign St., Leeds 0532 435200

| | | | | |
|---|---|---|---|---|
| M&E RH. Man Fd | 136.7 | 143.9 | | — |
| M&E GRE Man Fd(z) | 121.4 | 127.8 | | — |
| M&E Eq Law Man Fd(z) | 104.3 | 109.7 | −0.1 | — |
| M&E Crown Man Fd(z) | 101.7 | 107.0 | +0.1 | — |
| M&E Schroder Pen Fd(z) | 117.4 | 123.5 | +0.2 | — |
| M&E Target Pen Fd(z) | 41.1 | 44.4 | +0.1 | — |

**Marsh Financial Management Ltd**
2/4 Vale Ave, Tunbridge Wells. TN1 1DJ. 0892 515614

| | | | | |
|---|---|---|---|---|
| Marsh (M&G) Fund | 105.3 | 110.7 | | — |
| Marsh (M&G) Pens Fd | 119.0 | 125.1 | | — |
| Marsh (Target) Fund | 103.5 | 109.0 | | — |
| Marsh (Target) Pens Fd. | 57.2 | 60.3 | | — |
| Marsh (Schroder) Fund | 96.2 | 101.1 | | — |

**Noble Lowndes & Partners Ltd**
PO Box 144, Croydon 01-686 2466

| | | | | |
|---|---|---|---|---|
| Lowndes (Clev. Mgd.) | 101.0 | 106.4 | −0.2 | — |
| Lowndes (Scot. Eqad.) | 102.0 | 107.4 | | — |

**The Norminster Group**
71, London Rd, Peterborough, PE2 9BB 0733 42200

## OFFSHORE AND OVERSEAS

## MANAGEMENT SERVICES

## Money Market Trust Funds

## Money Market Bank Accounts

## NOTES

## TRADITIONAL OPTIONS
3-month call rates

## COMMODITIES AND AGRICULTURE

# EEC agrees fishing fleet modernisation package

BY TIM DICKSON IN BRUSSELS

A NEW Ecu 800m (£590m) programme aimed at improving and adapting EEC fishing fleets over the next five years was agreed in Brussels yesterday, after a marathon 22-hour negotiating session.

The package — designed to set out the priorities for Community fisheries support over the next 10 years — was the subject of lengthy arguments over the last couple of days on a myriad of issues from fleet renewal and fish farming to early retirement and the search for new markets.

Mr Michael Jopling, British president of the EEC fish council, hailed the agreement yesterday as a "triumph for good sense and determination." Observers in Brussels were pointing out last night that he may need the same degree of perseverence later this month, when EEC Fisheries Ministers meet again to thrash out the sensitive question of annual quotas for member states.

The significance of yesterday's development is not so much the size of the new "pot" as the way in which it has been allocated for the future. The biggest chunk of the spending (Ecu 295m) will go to the "renewal" of fishing boats of more than 33 metres — a policy intended to channel resources into improving the capability of bigger trawlers and encouraging Community fleets to look beyond EEC waters. Other allocations include Ecu 80m for fleet modernisation, Ecu 125m for "aquaculture" (fish farming), Ecu 55m for exploratory fishing and Ecu 100m for "permanent cessation." There is also new money for port development and freezing facilities.

The programme, which will run from 1987 to 1991, comes at a time when the EEC fishing fleet is suffering from excess capacity on the one hand, and diminishing stocks of fish on the other. The entry of Spain and Portugal into the Community at the beginning of this year, moreover, has increased the size of the EEC fleet by about 70 per cent, placed new demands on the common fisheries policy, and raised new tensions with third countries.

Among the main sticking-points in negotiations was a quarrel between Mediterranean countries (notably, Italy, which alone voted against the package) and "northern" member states over the size of vessels which should qualify for support. Argument also centred on special aid to regions, with areas of France and the Canary Islands (for certain types of expenditure) among those added to the European Commission's original plans.

Parts of Scotland and Ireland will also benefit for the first time.

The Commission's emphasis on exploratory fishing in third country waters was to some extent diluted by the insistence of some member states that Community waters should also apply.

Plans to provide Ecu 50m for "social measures" — the laying off of boats and early retirement for fishermen — were dropped from earlier proposals.

The package cannot be finally adopted until the European Parliament has given its "opinion" next week.

# US boosts cotton trade share

BY NANCY DUNNE IN WASHINGTON

THE US share of world cotton trade is forecast to jump to 30 per cent for the 1986-87 season, from 9.6 per cent in the previous year, according to statistics presented this week at the US Agriculture Department's annual outlook conference.

Cotton's success is of particular interest this year, because producers, along with rice growers, have been given special subsidies under a "marketing loan" programme. The scheme has depressed world prices, but US growers have been repaid for the difference.

US grain producers have been urging the Administration to introduce a similar programme for their commodities.

The scheme cut US cotton prices by 40 cents per pound on August 1. Mr Carl Anders, an economist with Texas A&M University, says it has produced a surge in export sales, largely to US foreign customers of long standing. Japan has already purchased more than twice the amount of US cotton than in 1985, and sales to Taiwan have been at their highest levels for years.

"The high level of early US exports indicates many of the key input markets will turn to the US to buy cotton under competitive conditions," he said.

Mr Russell Barlowe, a Usda analyst, said the low prices are reducing world production to about 72.1m bales for 1986-87—7m less than the previous year.

Among the big producers, output is projected down 7 per cent in India, 5 per cent in the USSR, and 3 per cent in China and Pakistan. Consumption is predicted to be a record 77.1m bales, up 2.4 per cent from last year.

Increased use is expected to bring world cotton stocks down at the end of this season by 6m bales, to slightly more than 42m bales, with the US getting about two-thirds of the reduction. World trade is expected to total about 23m bales, up 2.5m from last year and the largest since the record trade of 1979-80.

For the 1987-88 year, the Usda has set a loan rate of 52.25 cents per pound for base-quality cotton. If the adjusted world price is below that rate, then the marketing loan scheme will again be put into effect.

# Increasing citrus surplus forecast

BY ANDREW GOWERS

WORLD CITRUS prices are likely to come under increasing pressure for the rest of this decade as production races further and further ahead of consumption, according to an authoritative new forecast.

The gloomy projection, produced at a recent meeting of officials from exporting and importing countries at the UN Food and Agriculture Organisation in Rome, underlines the way that massive new planting of citrus trees has continued long after the boom in demand experienced during the 1960s and 1970s has waned. It suggests that the resulting headaches will continue to afflict citrus producing countries for many years to come, and that the recent recovery from the price trough recorded earlier this year may not continue for long.

In the current season, the report says, both production and availability of citrus fruit could rise substantially from the already high level recorded in 1985-86, following a recovery in the all-important Brazilian crop from the temporary setback it suffered in 1985.

But the FAO group—known as the intergovernmental group on citrus fruit—agreed that consumption growth might not keep pace with production, partly as a result of disruptions caused by the high prices of a couple of years ago. What is more, the market for frozen concentrated orange juice—the main processed citrus product, acounting for about 40 per cent of world citrus production, and worth a total of well over $1bn a year in export earnings—continues to be dogged by large carryover stocks, which caused prices to plunge in the first half of this year.

More disturbing are the report's conclusions about the long-range outlook. World citrus consumption grew at an annual rate of 7 per cent in the 1960s and 3.5 per cent in the 1970s, reaching 11.5 kg per head of population at the beginning of this decade. However, between now and 1990, the officials agreed, per capita total citrus consumption was expected to increase "only marginally"—by 1 per cent per year in the developed countries. Even demand for processed citrus products was becoming saturated in some key consuming countries.

Assuming stable real prices and average weather conditions, the group projected world citrus production of 65m tonnes in 1990, compared with just over 55m in the most recent season.

However, global demand was projected to reach only 60m tonnes.

# Tapioca import plan angers Danes

By Hilary Barnes in Copenhagen

DANISH GRAIN producers are upset about an EEC offer to import from China 600,000 tonnes of sweet potatoes and 350,000 tonnes of tapioca, both of them used as maize substitutes in pig production.

The chairman of the Danish Corn Producers Association, Mr Erling Evendsen, has accused the EEC's Commissioner for Agriculture, Mr Frans Andriessen, of favouring farmers in his own country, the Netherlands, by encouraging imports of maize substitutes.

"He is not up to his job and should resign," said the angry Dane.

The Danish farmers argue that the EEC ought not to be increasing its imports of maize substitutes when there is a European corn surplus.

The Danish pig producers traditionally grow their own maize for feeding to their pigs, while the Dutch, their chief European rivals in the pigmeat export business, have relied increasingly on cheap maize substitutes from the Far East. The Danes say this gives the Dutch an unfair advantage.

# Moscow denies grain pact default

MR BORIS ARISTOV, the Soviet Minister of Foreign Trade, said in Washington this week that his country has not been buying US grain because its prices are too high, reports Reuter.

Asked why the Soviet Union had not bought any American grain recently he said: "It is necessary that they have world market prices and that grain prices should be competitive."

Mr Aristov made his remarks following a meeting with Mr Richard Lyng, the US Agriculture Secretary, and other senior officials of the US Department of Agriculture (USDA).

Moscow had "overfulfilled" its long term grain trade agreement with the US, the Soviet Minister claimed. He said it had bought 41m tonnes of grain in the last three years although it was only committed to buy 27m tonnes.

US grain industry analysts offered a different interpretation of the agreement, however. Mr Sherman Levin, a consultant to the grains industry, said: "The agreement is on a year to year basis. What is overfulfilled in one year does not carry over to the next. That surplus does not make the default less flagrant."

If the US interpretation of the pact is accepted, USDA figures show that the Soviets have fallen short of their commitments to purchase wheat in the past two years.

## Molybdenum

CHINA IS becoming increasingly important in the Molybdenum market and could produce between 20m and 25m lbs next year, Mr Anthony Wright, senior vice-president of Metal-metals conference in Nice yesmetals conference in Nice yesterday, Reports Reuter.

# Glint of change in gold market

BY STEFAN WAGSTYL

THE LONDON Gold Market has stood aloof while the twin powers of international competition and Government regulatory policy have forced some of the City's oldest and grandest institutions to change.

The five bullion houses, which have controlled the market since 1919, have watched while the Stock Exchange, Lloyd's insurance market, and the London Metal Exchange among others have been pressed into modernising their rules.

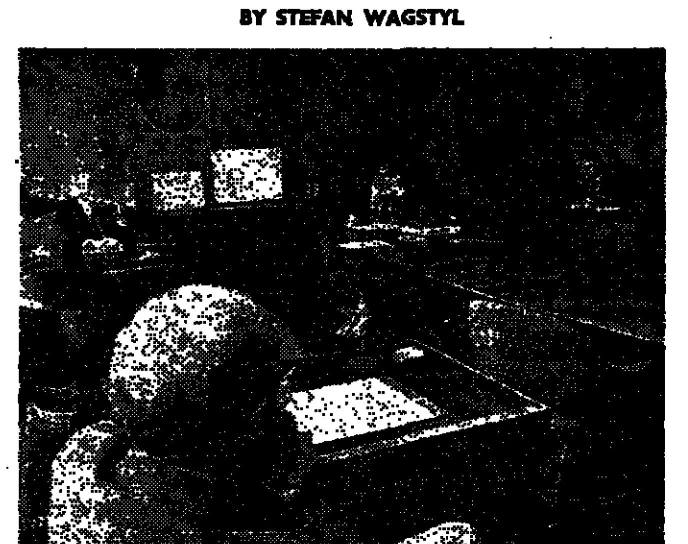
For a while it seemed that the bullion market could escape untouched—despite the shock of the Johnson Matthey Bankers affair.

But now it looks as if the five will have to change their ways. In response to some gentle prodding from the Bank of England, other banks and financial companies trading gold in London could next year have a say in the running of the market.

The members—N. M. Rothschild, Mocatta and Goldsmid, Sharps, Pixley, Samuel Montagu and Mase Westpac (formerly Johnson Matthey Bankers)—have yet to take any final decisions. But it seems that they intend to involve the most important of the market's 53 associates in its future management.

They will not be opening up the doors of the inner sanctum—the "fix," or twice-daily pricing meeting which is held around a table at the offices of Rothschild's, on St Swithin's Lane. But associates, particularly the 10 or so banks and traders who trade gold in London outside the fix, are now likely to have a formal say in matters like market regulation, new membership, and making representations to the Bank of England.

By the standards of some other markets the moves under discussion are a small change in traditional practice. The trading rules are to stay intact. But some traders at banks outside the golden circle are surprised that the five old-established bullion houses have moved at all.



Traders fix the gold price at the London bullion market

Bankers at the five houses argue that their response to the changes sweeping through the City are an indication both of the strength of their position and of their flexibility.

The histories of the five date back to the seventeenth century and the foundation of Mocatta and Goldsmid, which is older than the Bank of England. But the market's recent origins lie in the decision of the South African gold companies to sell their gold through London after the First World War.

The bullion houses lost the bulk of this lucrative bullion business to the Swiss in 1968 (though they have recovered some ground since). But at the same time they were saved hv the rapid development of round-the-clock gold trading, which spiralled when the gold price took off in the 1970s. Mr Keith Smith, managing director of Mocatta and Goldsmid, said in an interview earlier this year that the spread of telecommunications had been the single biggest change in the gold market since the 1960s—as it had been in other financial markets.

This prompted foreign companies to come to London to trade gold. Philipp Brothers (now merged into Phibro-Salomon), led a North American contingent which now includes Morgan Guaranty, Drexel Burnham Lambert, Shearson Lehman Brothers (an American Express subsidiary), J. Aron (owned by Goldman Sachs), and the Bank of Nova Scotia. The Swiss bank Credit Suisse started making markets in London some years ago and is to be followed next year by Union Bank of Switzerland.

Just as the five members ot the fix were facing up to this challenge, they were hit by the Johnson Matthey Bankers crisis in late 1984. The Bank of England rescued JMB and eventually sold its bullion business to the Australian bank, Westpac Corporation. Mr Robert Guy, chairman of the London Gold Market, has said that no permanent damage was done to the market. But some traders outside the circle of the five argue that the fact that the Bank of England had to rescue JMB exposed the weaknesses of the market. They claim that it is showed it was undercapitalised and had too few members.

Whatever the truth, the affair strengthened the Government's resolve to press on with reforming City regulation. Under the proposals of the Financial Services Bill, which is before Parliament, the bullion markets (silver and gold), along with the foreign exchange and money markets, are to be regulated by the Bank of England — as they are now. The bullion markets successfully fought off an attempt by the Securties and Investments Board, which will be responsible for most other markets, to extend its authority over silver and gold.

However, the Bank is looking for a greater degree of formal self-regulation than has existed before the so-called wholesale markets. It is also keen to make sure trading rules are liberal enough to allow in foreign competition.

Detailed guidelines on the regulation of wholesale markets are to be published next year by the Treasury. But in the meantime, the gold market is souding out its members on the changes they would like to see. The proposals to involve associates in decision-making are part of these discussions.

They are scarcely acting too soon. A number of the market-making banks and trading companies say that their turnovers are at least equal to those of the five members of the fix. The members concede that some six associates are important players in the market.

## LONDON MARKETS

COPPER PRICES rose sharply on the London Metal Exchange yesterday amid persistent cash buying and improving market sentiment. The cash price of grade A metal closed at £939.75 per tonne, up £16.50 on the day, and the three-months price also rose by a slightly lesser amount. Traders could not pinpoint any single reason for the movement, but some cited the continuing strike action at Noranda's Horne smelter in Quebec, which has caused a sharp reduction in stocks held by producers in North America. There are also suggestions of rising industrial demand as consumers find that they cannot obtain supplies on a hand-to-mouth basis as readily as before, and rumours of attempts by producers to boost prices. Elsewhere on the LME, lead prices rose further amid a tightening squeeze on nearby supplies, with cash up by £8.75 to £364 a tonne and displaying a widening premium over three-months; while zinc continued its technical rally, rising £13 to £546.25.

LME prices supplied by Amalgamated Metal Trading.

### ALUMINIUM

Official closing (am): Cash 779-80 (776.5-7), three months 793.5-4 (791.5-2), settlement 780 (777). Final Kerb close: 795-6. Turnover: 19,350 tonnes.

| | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 780-1 | +3 | 780/779 |
| 3 months | 794.5 | —5.5 | 795/791 |

### COPPER

| Grade A | Unoffic'l close | + or — | High/Low |
|---|---|---|---|
| Cash | 939.5-40 | +16.5 | 940/933 |
| 3 months | 951-1.5 | +13 | 951.5/953 |

Official closing (am): Cash 933-4 (934.5-5), three months 957-7.5 (949-9.5), settlement 934 (925). Final Kerb close: 958-9.

| Standard | | | |
|---|---|---|---|
| Cash | 913.5-4.5 | +18.2 | — |
| 3 months | 940-2 | +14.2 | — |

Official closing (am): Cash 906-7 (897-8), three months 936-7 (927-8), settlement 907 (898). US Producer prices 63-66.50 cents per lb. Total turnover: 42,700 tonnes.

### LEAD

| | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 363-5 | +8.75 | 362/358 |
| 3 months | 327.5-8 | +1.25 | 328/327 |

Official closing (am): Cash 362-2.5 (349.5-50), three months 326.5-7 (325-5.5), settlement 362.5 (350). Final Kerb close: 327.5-8. Turnover: 15,675 tonnes. US Spot: 24-29 cents per lb.

### NICKEL

| | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 2525-30 | —1.5 | 2525/2520 |
| 3 months | 2575-80 | +8.5 | 2575/2565 |

Official closing (am): Cash 2,515-20 (2,525-30), three months 2,565-6 (2,565-70), settlement 2,520 (2,530). Final Kerb close: 2,570-5. Turnover: 1,260 tonnes.

### TIN

Kuala Lumpur Tin Market: Close 17.03 (17.00) ringgit per kg. Up 0.03 ringgit per kg.

### ZINC

| High grade | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 546-6.5 | +13 | 546/542 |
| 3 months | 544.5-5 | +11.5 | 546/535.5 |

Official closing (am): Cash 543.5-4 (534-4.5), three months 541.5-2 (533.5-4), settlement 544 (534.5). Final Kerb close: 544-5. Turnover: 15,300 tonnes. US Prime Western: 44-47.50 cents per lb.

### GOLD

Gold fell $5 an ounce from Wednesday's close in the London bullion market yesterday to finish at $387¼-387¾. The metal opened at $392-392½ and briefly touched a high of $392¼-392¾ before slipping away to a low at the close. Light profit taking developed during the afternoon in quiet trading. The dollar's firmer trend also encouraged liquidation although dealers were generally confident that another assault on the $400 level would soon be mounted.

| GOLD BULLION (fine ounce) Dec. 4 | | |
|---|---|---|
| Close | $387¼-387¾ | (£270-270½) |
| Opening | $392-392½ | (£273¾-274) |
| M'n'g fix | $391.20 | (£273.184) |
| Aft'n'n fix | $389.25 | (£271.916) |

| GOLD AND PLATINUM COINS | | |
|---|---|---|
| Am Eagle | $401-403 | (£280½-282) |
| Mapleleaf | $402¾-407 | (£281¼-284¾) |
| Kr'g'rnd | $387-392 | (£270¾-274¼) |
| ½ Krug | $196-197 | (£137¼-137¾) |
| ¼ Krug | $100-101 | (£70-70¾) |
| Angel | $396-399 | (£277-279¼) |
| 1/10 Angel | $40-45 | (£28-31½) |
| New Sov. | $91-94 | (£63¾-65¾) |
| Old Sov. | $92½-94 | (£64¾-65¾) |
| $20 Eagle | 460-500 | (£321¾-349¾) |
| Noble Plat | $490-500 | (£342¾-349¾) |

### SILVER

Silver was fixed 5p an ounce higher for spot delivery in the London bullion market yesterday at 376.35p. US cent equivalents of the fixing levels were: spot 538c, up 8.75c; three-month 545.4c, up 7.1c; six-month 553.3c, up 6.5c; and 12-month 568.5c, up 4.85c. The metal opened at 376-377½p (539-541c) and closed at 372½-374p (534-536c).

| SILVER per troy oz | Bullion Fixing Price | + or — | L.M.E. p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| Spot | 376.35p | +6.00 | 373.5p | —2.25 |
| 3 months | 386.15p | +4.85 | 384.25p | —2 |
| 6 months | 396.95p | +4.95 | — | — |
| 12 months | 417.15p | +4.85 | — | — |

LME—Turnover: 76 (27) lots of 10,000 oz.

Cash high/low 375p; three months high/low 384.5p, final kerb 380-2p.

### SOYABEAN MEAL

| | Y'sterd'ys close | + or — | Business done |
|---|---|---|---|
| | £ per tonne | | |
| Dec. | 127.0-130.8 | —3.50 | — |
| Feb. | 130.8-138.2 | —1.15 | 130.7 |
| April | 130.0-130.5 | —1.09 | — |
| June | 127.0-127.7 | —0.90 | — |
| August | 126.8-129.7 | —1.05 | — |
| October | 127.6-129.0 | —1.10 | — |
| Dec. | 128.5-129.5 | —1.25 | — |

Sales: 5 (105) lots of 20 tonnes.

### MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.46p per kg lw (+0.79). GB—Sheep 208.51p per kg est dcw (+24.98). GB—Pigs 76.86p per kg lw (+0.21).

### INDICES

REUTERS

| Dec. 3 | Dec. 2 | M'th ago | Year ago |
|---|---|---|---|
| 1633.6 | 1633.3 | 1601.1 | 1706.1 |

(Base: September 18 1931=100)

DOW JONES

| Dow Jones | Dec. 3 | Dec. 2 | M'th ago | Year ago |
|---|---|---|---|---|
| Spot | 120.00 | 120.02 | — | 121.58 |
| Fut | 119.04 | 119.22 | — | 123.54 |

(Base: December 31 1931=100)

### MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| | Dec. 4 1986 | + or — | Month ago |
|---|---|---|---|
| METALS | | | |
| Aluminium | | | |
| Free Market | $1160/200 | +5 | $1225/255 |
| Copper | | | |
| Cash Grade A | £939.75 | +16.5 | £905 |
| 3 mths | £951.25 | +13 | £931.25 |
| Gold Troy oz | $387.5 | —5 | $408.25 |
| Lead Cash | £364 | +8.75 | £319.5 |
| 3 mths | £327.75 | +1.25 | £313.75 |
| Nickel | | | |
| Free Mkt | 164/184c | ..... | 167/187c |
| Palladium oz | $116.65 | —0.55 | $128.00 |
| Platinum oz | $478.85 | +2.85 | $559.50 |
| Quicksilver† | $160/170 | ..... | $155/160 |
| Silver troy oz | 376.35p | +6.00 | 393.45p |
| 3 mths | 386.15p | +4.85 | 403.60p |
| Tin | | | |
| Free Mkt | £4580/630 | —30 | £4250/270 |
| Tungsten | $47.64 | ..... | $46.98 |
| Wolfram 22.04lb | $32/42 | ..... | $32/42 |
| Zinc | £545.25 | +13 | £601 |
| 3 mths | £544.75 | +11.5 | £582.5 |
| producers | $870 | ..... | $920 |
| OILS | | | |
| Coconut (Phil) | $430z | +17.5 | $365 |
| Palm Malayan | $310w | ..... | $330 |
| Copra (Phil) | $275 | +25 | $270 |
| Soyabean (U.S.) | $162 | ..... | $159 |
| GRAINS | | | |
| Barley Fut. Mar. | £114.00 | —0.85 | £113.00 |
| Maize | £146.80 | ..... | £143.00 |
| Wheat Fut. Mar. | £113.50 | —0.30 | £111.25 |
| No. 2 Hard Wint. | ‡ | ..... | ‡ |
| OTHERS | | | |
| Cocoa Ft. Mar. | £1440.5 | —5 | £1520.5 |
| Coffee Ft. Mar. | £1919 | +28.5 | £2267.5 |
| Cotton A Ind.* | 66.85c | +0.2 | 51.35c |
| Gas Oil Jan. | $135.5 | —2.5 | $129 |
| Rubber (kilo) | 63p | —0.5 | 65.75p |
| Sugar (raw) | $150.5z | ..... | $152.5 |
| Wooltops 64s | 425p kilo | ..... | 421p kilo |

In tonnes unless otherwise stated. ‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. u Jan. w Feb.

### COFFEE

Short-covering against the increasingly tight January position lifted robust prices sharply in active morning trading, reports Drexel Burnham Lambert. In the afternoon trade selling pressure on more deferred positions was a notable feature and prevented values from returning to morning highs.

| COFFEE | Yesterday close | + or — | Business Done |
|---|---|---|---|
| Jan | 2070-75 | +49.0 | 2085-2030 |
| Mar | 1918-20 | +20.5 | 1945-1910 |
| May | 1910-15 | +10.0 | 1945-1905 |
| July | 1910-20 | —13.5 | 1950-1920 |
| Sept | 1940-50 | +15.0 | 1950 |
| Nov | 1940-60 | +5.0 | — |
| Jan | 1940-80 | +10.0 | — |

Sales: 6,345 (3,288) lots of 5 tonnes. ICO indicator prices (US cents per pound) for December 3: Comp. daily 1979 138.23 (137.08); 15-day average 142.56 (144.03).

### COCOA

Opening at the highs, futures met light trade selling and levels eased thereafter to a close near the lows of the day, reports Gill and Duffus.

| COCOA | Yesterday's close £ per tonne | + or — | Business Done |
|---|---|---|---|
| Dec | 1399-1400 | —4.0 | 1418-1389 |
| March | 1440-1441 | —8.0 | 1468-1438 |
| May | 1466-1467 | —11.5 | 1487-1464 |
| July | 1491-1493 | —10.5 | 1507-1491 |
| Sept | 1513-1514 | —7.6 | 1535-1512 |
| Dec | 1542-1543 | —6.6 | 1565-1541 |
| March | 1566-1572 | —9.0 | 1585-1565 |

Sales: 4,440 (2,914) lots of 10 tonnes.

ICCO indicator prices. Daily price for December 4: 89.18 (90.07); five-day average for December 5: 89.49 (89.68) US cents per pound. Daily price 1,628.49 (1,643.0); 10-day average 1,643.37 (1,648.77) SDRs per tonne.

### POTATOES

The market continued to drift gently down in thin volume to finish on a weak note close to the day's lows, reports Coley and Harper.

| Month | Yesterday's close | Previous close | Business done |
|---|---|---|---|
| | £ per tonne | | |
| Feb | 111.00 | 111.00 | — |
| Apr | 157.40 | 159.00 | 160.00-157.00 |
| May | 176.00 | 178.00 | 178.50-177.00 |
| Nov | 87.50 | 88.50 | — |
| Feb | 97.50 | 97.00 | — |

Sales: 416 (378) lots of 40 tonnes.

### GRAINS

Old crops again eased throughout the day on shipper selling with only modest consumer and commission house buying preventing values from further decline, reports T. G. Roddick.

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Mnth | Yesterday's close | + or — | Yest'rdy's close | + or — |
| Jan | 110.50 | —0.40 | 111.75 | —0.75 |
| Mar | 113.50 | —0.30 | 114.00 | —0.65 |
| May | 115.65 | —0.25 | 115.10 | —0.75 |
| July | 117.35 | —0.30 | — | — |
| Sep | 101.40 | — | 100.70 | —0.65 |
| Nov | 103.65 | — | 103.20 | —0.05 |
| Jan | 106.60 | — | 106.25 | — |

Business done—Wheat: Jan 110.75-10.50, March 113.75-3.50, May untraded, July 117.45, Sept 101.40, Nov and Jan untraded. Sales: 178 lots of 100 tonnes. Barley: Jan 112.15-1.75, March 114.30, May untraded, Sept 100.70, Nov 103.35-3.25, Jan 106.25. Sales: 35 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no. 1 15 per cent Jan 107.25, Feb 108.25, March 109.00. US no. 2 soft red winter Dec 110.00, Jan 112.00, Feb 114.00 sellers. French 11½-12 per cent Dec 140.50. English feed fob Dec 112.50/113.00, Jan 115/115.75, Jan/March 118.25/118.75 buyers/sellers, April/June 119.75 sellers. Maize: US no. 3 yellow/French transhipment east coast Dec 146.00. Barley: English feed fob Dec 114.00 seller Scottish, Dec 115.60 seller Kings Lynn, Jan 115.50 seller English/Scottish, Jan/March 118.25 seller English, Jan/March 117.50 seller Scottish.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne). Feed barley: S West 109.30, W Mids 110.00, N West 109.60. The UK monetary coefficient for the week beginning Monday December 8 is expected to change to 1.277.

### RUBBER

PHYSICALS — The London market opened easier, attracted routine business throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 63.00p (63.50p); Jan 61.00p (61.50p); Feb 61.25p (61.75p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 216 (218) and SMR 191.5 (193).

FUTURES—Index 644, Jan 650-660, Jan-March 655-665, April-June 665-675, July-Sept 671-680. Sales: Nil.

### OIL

Brent prices were weaker in very thin trade. Several mid-December dated North Sea cargo trades were reported done this week. January WTI opened 7c down on Nymex, traded within a very narrow range during the morning and was 6c down at 1.30 EDT. In the petroleum products market gasoline firmed on demand into Scandinavia, France and the US. Prompt gas/oil was stable and forward periods were weak in thin trade. Physical naphtha remained stable despite good availabilities. Fuel oil was weaker in a thin market—Petroleum Argus, London.

| | Latest | Change + or — |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel)—Dec. | | |
| Arab Light | — | — |
| Arab Heavy | — | — |
| Dubai | 13.60-13.70 | —0.325 |
| Brent Blend | 14.45-14.55 | —0.175 |
| W.T.I. (1pm est) | 15.00-15.10* | —0.175 |
| Forcados (Nigeria) | — | — |
| Urals (cif NWE) | — | — |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | 140-144 | +1 |
| Gas Oil | 120-122 | —1 |
| Heavy fuel oil | 76-78 | —2 |
| Naphtha | 124-126 | — |

* January
Petroleum Argus estimates

### GAS OIL FUTURES

| Month | Yest'rdy's close | + or — | Business Done |
|---|---|---|---|
| | US $ per tonne | | |
| Dec | 121.00 | —2.25 | 122.50-20.50 |
| Jan | 125.50 | —2.50 | 127.25-25.25 |
| Feb | 128.75 | —2.75 | 130.50-28.50 |
| Mar | 126.75 | —2.25 | 127.50-26.50 |
| Apr | 123.50 | —2.50 | 124.50-23.00 |
| May | 120.50 | —2.25 | — |

Turnover: 3,051 (2,767) lots of 100 tonnes.

### HEAVY FUEL OIL

| Month | Yest'rdy's close | + or — | Business Done |
|---|---|---|---|
| | US $ per tonne | | |
| Dec. | 77.75 | —0.75 | — |
| Jan. | 76.00 | —2.50 | 77.50-76.00 |
| Feb. | 79.50 | —1.25 | 79.50 |

Turnover: 75 (15) lots of 100 tonnes.

### SUGAR

The market fell back after the New York March contract again failed to break through the key 700 level, reports C. Czarnikow.

| No. 6 Contract | Yest'rdy close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| Mar. | 155.3-155.4 | 158.8-157.0 | 157.4-154.2 |
| May | 158.0-158.4 | 159.4-159.8 | 159.8-157.8 |
| Aug | 160.4-161.0 | 162.0-162.6 | 162.0-161.4 |
| Oct | 162.2-164.0 | 164.0-164.8 | 165.2-163.0 |
| Dec | 166.0-167.8 | 167.0-169.8 | — |
| Mar | 175.0-176.5 | 178.0-177.0 | — |
| May | 178.0-182.0 | 178.8-181.0 | — |

Sales: 2,343 (2,419) lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $160.50 (£112.00), unchanged (unchanged) a tonne for December-January delivery. White sugar $184.00, down 50c.

Tate & Lyle delivery price for granulated basis sugar was £216.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for December 3: Daily price 6.30 (6.11); 15-day average 5.90 (5.88).

## US MARKETS

GOLD FUTURES weakened by $4.10 per ounce in the February position, as a burst of dollar strength — in spite of depressed factory orders figures — again dampened enthusiasm, reports Heinold. However, the closing price marked a good rally after values had threatened to slump after hitting stops below the important $390 level. On the coffee market speculation on whether ICO members would be able to impose binding quotas at next week's projected meeting managed to fuel further modest short-covering and new longs in what essentially remained a quiet market, with leading March delivery values climbing almost 2 cents on the day to close just beneath important resistance levels at 150 per pound. Some traders, however, expected that a further test of this level could yield some light profit-taking. Cocoa futures lost much of the ground gained so far this week, with March prices pressured at key levels around $1900 per tonne

### NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 48.60 | 48.70 | 48.50 | 48.65 |
| Jan | 49.00 | — | — | 49.05 |
| Feb | 49.25 | — | — | 49.30 |
| March | 49.50 | 49.60 | 49.35 | 49.60 |
| May | 49.80 | — | — | 49.90 |
| July | 50.15 | — | — | 50.25 |
| Sept | 50.35 | — | — | 50.45 |
| Dec | 50.45 | — | — | 50.55 |
| Jan | 50.65 | — | — | 50.75 |
| March | 50.75 | — | — | 50.85 |

COCOA 10 tonnes, $/tonne

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 1807 | 1855 | 1810 | 1845 |
| March | 1859 | 1902 | 1848 | 1897 |
| May | 1894 | 1937 | 1885 | 1931 |
| July | 1915 | 1954 | 1910 | 1952 |
| Sept | 1939 | 1976 | 1930 | 1972 |
| Dec | 1962 | 1964 | 1950 | 1995 |
| March | 1987 | — | 1998 | 2021 |

COFFEE "C" 37,500 lbs, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 148.59 | 149.25 | 145.50 | 145.10 |
| March | 149.18 | 149.75 | 148.00 | 147.20 |
| May | 149.75 | 149.90 | 148.25 | 148.13 |
| July | 150.24 | 150.40 | 149.25 | 149.25 |
| Sept | 151.00 | 151.00 | 149.75 | 148.75 |
| Dec | 151.50 | 151.50 | 151.50 | 150.38 |
| May | 152.50 | — | — | 152.53 |

COPPER 25,000 lbs, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 60.80 | 60.90 | 60.75 | 60.65 |
| Jan | 60.75 | — | — | 60.60 |
| Feb | 61.05 | — | — | 60.90 |
| March | 61.30 | 61.50 | 61.05 | 61.15 |
| May | 61.80 | 62.00 | 61.70 | 61.65 |
| July | 62.15 | 62.25 | 62.15 | 62.00 |
| Sept | 62.40 | 62.50 | 62.45 | 62.25 |
| Dec | 62.85 | 62.90 | 62.30 | 62.70 |
| Jan | 63.06 | — | — | 62.90 |
| March | 63.40 | 63.40 | 63.40 | 63.25 |

COTTON 50,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 53.90 | 54.40 | 52.55 | 52.90 |
| March | 54.72 | 55.20 | 53.38 | 53.47 |
| May | 55.13 | 55.35 | 53.74 | 53.70 |
| July | 55.10 | 55.70 | 54.00 | 53.80 |
| Oct | 56.10 | 56.10 | 55.20 | 54.72 |
| Dec | 56.55 | 56.65 | 55.35 | 55.35 |
| March | 57.05 | 56.50 | 56.20 | 55.67 |
| May | 57.20 | — | — | 55.67 |

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Jan | 15.17 | 15.21 | 14.98 | 15.12 |
| Feb | 15.27 | 15.33 | 15.09 | 15.23 |
| March | 15.25 | 15.31 | 15.13 | 15.25 |
| April | 15.21 | 15.28 | 15.10 | 15.22 |
| May | 15.18 | 15.20 | 15.10 | 15.19 |
| June | 15.16 | 15.16 | 15.06 | 15.16 |
| July | 15.20 | 15.20 | 15.06 | 15.13 |
| Aug | 15.15 | 15.15 | 15.12 | 15.10 |

GOLD 100 troy oz, $/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 389.4 | 391.6 | 383.0 | 392.2 |
| Jan | 390.2 | — | — | 394.2 |
| Feb | 391.7 | 395.9 | 386.5 | 395.8 |
| April | 395.0 | 398.8 | 390.0 | 399.1 |
| June | 398.3 | 402.0 | 394.0 | 402.3 |
| August | 401.5 | 401.0 | 400.3 | 405.6 |
| Oct | 404.7 | 403.2 | 402.0 | 408.8 |
| Dec | 408.2 | 410.0 | 404.5 | 412.3 |
| Feb | 411.9 | 410.0 | 410.0 | 416.0 |
| June | 419.7 | 421.3 | 421.0 | 423.8 |
| Oct | 404.7 | 403.2 | 402.0 | 408.8 |

SPOT PRICES—Chicago loose lard 13.50 (same) cents per pound. Handy and Harman silver bullion 533.0 (539.0) cents per troy ounce.

HEATING OIL 42,000 US gallons, cents/US gallons

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Jan | 43.90 | 44.05 | 43.25 | 43.81 |
| Feb | 44.60 | 44.65 | 43.90 | 44.47 |
| March | 43.30 | 43.30 | 42.75 | 43.30 |
| April | 41.60 | 41.90 | 41.40 | 41.92 |
| May | 40.55 | 40.55 | 40.35 | 40.62 |
| June | 39.90 | 40.10 | 39.80 | 40.10 |
| July | 40.40 | 40.20 | 40.20 | 40.05 |
| August | 41.25 | 41.40 | 40.85 | 40.85 |
| Sept | 42.20 | 42.40 | 42.20 | 42.00 |

ORANGE JUICE 15,000 lbs, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 124.90 | 125.00 | 123.45 | 123.60 |
| March | 126.05 | 126.15 | 124.60 | 124.70 |
| May | 126.00 | 126.00 | 124.60 | 124.25 |
| July | 125.80 | 125.60 | 125.40 | 124.70 |
| Sept | 125.85 | 125.85 | 125.00 | 124.55 |
| Jan | 126.20 | 126.20 | 125.00 | 124.15 |

PLATINUM 50 troy oz, $/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 476.8 | 475.5 | 475.5 | 477.5 |
| Jan | 478.2 | 483.0 | 472.0 | 479.1 |
| April | 481.8 | 485.5 | 476.0 | 483.1 |
| July | 485.6 | 489.0 | 481.0 | 487.1 |
| Jan | 493.9 | 491.0 | 490.1 | 495.7 |

SILVER 5,000 troy oz, cents/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 536.1 | 540.0 | 533.0 | 539.0 |
| Jan | 538.5 | — | — | 541.5 |
| Feb | 541.2 | 541.5 | 539.0 | 544.2 |
| March | 544.0 | 547.5 | 540.0 | 547.0 |
| May | 549.2 | 553.0 | 545.0 | 552.2 |
| July | 554.6 | 554.0 | 552.0 | 557.6 |
| Sept | 560.1 | — | — | 563.2 |
| Dec | 568.4 | 570.5 | 565.0 | 571.6 |
| Jan | 571.4 | — | — | 574.6 |
| March | 577.1 | 579.0 | 577.0 | 580.5 |

SUGAR WORLD "11" 112,000 lbs, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 6.40 | — | — | 6.45 |
| March | 6.93 | 7.00 | 6.86 | 7.01 |
| May | 7.03 | 7.10 | 6.98 | 7.14 |
| July | 7.11 | 7.16 | 7.08 | 7.24 |
| Sept | 7.18 | — | — | 7.28 |
| Oct | 7.31 | 7.38 | 7.28 | 7.38 |
| Jan | 7.37 | — | — | 7.44 |

### CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 61.42 | 61.47 | 60.80 | 61.07 |
| Feb | 57.57 | 57.67 | 57.07 | 57.15 |
| April | 57.17 | 57.30 | 56.90 | 56.85 |
| June | 56.52 | 56.70 | 56.25 | 56.25 |
| August | 55.67 | 55.75 | 55.40 | 55.40 |

LIVE HOGS 30,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 55.47 | 55.55 | 54.70 | 55.30 |
| Feb | 52.15 | 52.35 | 51.25 | 51.70 |
| April | 46.60 | 46.75 | 45.80 | 45.92 |
| June | 48.40 | 48.50 | 47.65 | 48.05 |
| July | 47.95 | 48.00 | 47.45 | 47.60 |
| August | 45.00 | 45.25 | 44.55 | 44.87 |
| Oct | 41.60 | 41.60 | 41.25 | 41.05 |
| Dec | 41.85 | 41.85 | 41.50 | 41.55 |

MAIZE 5,000 bu min, cents/56-lb bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 161.2 | 166.4 | 160.4 | 166.6 |
| March | 171.6 | 174.0 | 170.6 | 173.6 |
| May | 178.0 | 179.2 | 177.2 | 179.2 |
| July | 180.0 | 180.6 | 179.2 | 180.6 |
| Sept | 181.6 | 182.4 | 181.2 | 182.4 |
| Dec | 186.8 | 186.0 | 184.6 | 186.2 |
| March | 193.0 | 193.0 | 191.2 | 192.6 |

PORK BELLIES 38,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 71.90 | 72.00 | 69.62 | 70.50 |
| March | 69.97 | 70.15 | 68.30 | 69.10 |
| May | 69.15 | 69.30 | 67.85 | 68.52 |
| July | 67.05 | 67.70 | 66.65 | 67.20 |
| August | 64.85 | 65.25 | 64.15 | 64.65 |

SOYABEANS 5,000 bu min, cents/60-lb bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 497.2 | 501.0 | 496.6 | 501.6 |
| March | 500.6 | 504.4 | 500.4 | 505.2 |
| May | 504.6 | 508.4 | 504.4 | 508.6 |
| July | 507.0 | 509.6 | 506.6 | 510.6 |
| August | 506.4 | 508.4 | 506.2 | 509.0 |
| Sept | 499.0 | 501.4 | 499.0 | 501.0 |
| Nov | 495.6 | 502.6 | 499.2 | 502.2 |
| Jan | 507.4 | 508.6 | 507.4 | 510.4 |

SOYABEAN MEAL 100 tons, $/ton

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 145.7 | 147.2 | 145.7 | 147.3 |
| Jan | 146.1 | 147.1 | 145.9 | 147.2 |
| March | 146.5 | 147.5 | 146.3 | 147.6 |
| May | 147.1 | 148.0 | 146.9 | 148.2 |
| July | 147.5 | 148.6 | 147.5 | 148.7 |
| August | 147.8 | 148.5 | 147.5 | 148.8 |
| Sept | 147.7 | 148.5 | 147.7 | 149.0 |
| Oct | 147.8 | 148.3 | 147.8 | 149.0 |
| Dec | 149.0 | 149.5 | 149.0 | 149.9 |

SOYABEANS OIL 60,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 15.38 | 15.51 | 15.33 | 15.57 |
| Jan | 15.50 | 15.58 | 15.45 | 15.68 |
| March | 15.80 | 15.87 | 15.76 | 15.97 |
| May | 16.05 | 16.14 | 16.00 | 16.20 |
| July | 16.18 | 16.28 | 16.12 | 16.32 |
| August | 16.19 | 16.20 | 16.05 | 16.30 |
| Sept | 16.05 | 16.15 | 16.05 | 16.15 |
| Oct | 16.00 | 16.10 | 16.00 | 16.17 |
| Dec | 16.12 | 16.20 | 16.10 | 16.17 |
| Jan | 16.12 | 16.10 | 16.15 | 16.17 |

WHEAT 5,000 bu min, cents/60-lb bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 283.4 | 289.6 | 283.0 | 288.6 |
| March | 281.6 | 287.4 | 281.0 | 284.6 |
| May | 265.6 | 269.4 | 265.0 | 268.6 |
| July | 248.6 | 249.2 | 247.4 | 248.4 |
| Sept | 248.4 | 251.0 | 248.4 | 249.0 |
| Dec | 254.2 | 255.0 | 254.2 | 254.0 |

### FREIGHT FUTURES

The market weakened on lower physicals with good two-way trading, reports Clarkson Wolff.

| | Close | High/Low | Prev. |
|---|---|---|---|
| Dry Cargo | | | |
| Jan. | 668/669 | 669/666 | 672/674 |
| April | 690/692 | 691/686 | 692/694 |
| July | 601/603 | 603/602 | 603/605 |
| Oct. | 700/702 | 704/699 | 702/703 |
| Jan. | 705 | 705 | 700/715 |
| Apr. | 755 | — | 750/760 |
| July | 650 | — | 640/650 |
| Oct. | 785 | — | 770/800 |
| BFI. | 718 | — | 721.6 |

Turnover: 140 (192).

| | Close | High/Low | Prev. |
|---|---|---|---|
| Tankers | | | |
| Dec. | 1,000 | — | 860/949 |
| BTI. | 981 | | 955.5 |

Turnover: 0 (0).

# African coffee producers seek to curb price fall

AFRICAN coffee producers have agreed to a co-ordinated sales policy to try to halt a sharp fall in world prices, reports Reuter.

The African and Malagasy Coffee Organisation after a three-day ministerial meeting said the Robusta prices drop was unjustified. The market was characterised by "fundamentally bullish elements."

The nine-member group would co-ordinate their marketing policies in order to check this unjustified fall in coffee prices."

Coffee prices soared earlier this year after severe drought inthe world's biggest producer, Brazil, and led to suspension of an ICO quota system last February.

Since then prices have slumped and the ICO's London secretariate announced yesterday its executive board would meet next week to discuss reintroducing quotas.

# CURRENCIES, MONEY & CAPITAL MARKETS

## FOREIGN EXCHANGES

# Short covering boosts dollar

THE DOLLAR improved on short covering in currency markets yesterday. Despite its bearish undertone, traders were a little wary to run too short on dollars in a rather thin market since the latter could have been influenced by any comments made by Mr James Baker, US Treasury Secretary, speaking at a trade and debt conference. There was still some underlying demand for dollars ahead of the year end and a 3.6 per cent fall in US factory orders appeared to have little effect.

The dollar closed at DM 1.9920 from DM 1.9725 and Y162.80 compared with Y162.25. Elsewhere it rose to SFr 1.6640 from SFr 1.6415 and FFr 6.5275 from FFr 6.4575. On Bank of England figures, the dollar's exchange rate index rose from 110.0 to 110.1.

**STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.4270. November average 1.4250. Exchange rate index 68.0 from 67.8 at the opening and 67.9 on Wednesday. The six months ago figure was 75.7.**

The pound traded quietly for much of the day and was content to track movements in the dollar. There were no special influences in rather quiet trading and the pound finished at $1.4290 from $1.4320. However, because of the dollar's firmer trend, sterling managed to recover against its European partners, closing at DM 2.8475 from DM 2.8250 and FFr 9.3275 from FFr 9.2475. Against the yen it improved to Y232.5 from Y232.25 and SFr 2.3775 compared with SFr 2.3500.

**D-MARK—Trading range against the dollar in 1986 is 2.4718 to 1.9660. November average 2.0227. Exchange rate index 143.8 against 134.2 six months ago.**

There was no intervention at yesterday's fixing in Frankfurt by the Bundesbank when the dollar was fixed at DM 1.9790 compared with DM 1.9813 on Wednesday. The US unit was generally firmer from a lower opening, possibly as traders covered short position ahead of a speech to a trade and debt conference by Mr James Baker, US Treasury Secretary. West German economic statistics released appeared to have little effect although dealers noted that third quarter GNP rose by 1 per cent from the second quarter, which was generally above expectations.

A 1.9 per cent fall in manufacturing industry orders was a little disappointing but was ignored as was a decision by the Bundesbank to leave its credit policies and interest rates unchanged after yesterday's meeting of the central council. The dollar closed at DM 1.9770 from DM 1.9755.

**JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. November average 162.77. Exchange rate index 204.2 against 202.4 six months ago.**

The yen showed little overall change in Tokyo yesterday in rather quiet trading. Small corporate demand helped to underpin the US dollar, partly offsetting a bearish trend exacerbated by recent comments suggesting a lower dollar next year and a cut in interest rate. Expectations of a sluggish growth figure for West Germany's third quarter may have provided some support although the figure, which came out after the close of business, showed a rise significantly above expectations. The dollar closed at $162.20 compared with Y162.10 on Wednesday. Elsewhere the D-Mark continued to improve, rising to Y82.31 from Y81.91.

The Nigerian naira was quoted at 3.0005 to the dollar at yesterday's auction in Lagos compared with 3.4945 the week before. The sharp rise in the value of the naira reflected the market's inability to take up the full $75m on offer due to a tight squeeze on domestic liquidity instigated by the central bank.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu December 4 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.1139 | 43.2407 | +0.29 | +1.10 | ± 1.5368 |
| Danish Krone | 7.81701 | 7.84037 | +0.30 | +1.11 | ± 1.6403 |
| German D-Mark | 2.11083 | 2.07931 | −1.49 | −0.68 | ± 1.1127 |
| French Franc | 6.87316 | 6.81200 | −0.89 | −0.08 | ± 1.3659 |
| Dutch Guilder | 2.37833 | 2.34927 | −1.22 | −0.41 | ± 1.5059 |
| Irish Punt | 0.764976 | 0.764501 | −0.06 | +0.75 | ± 1.6683 |
| Italian Lira | 1476.95 | 1441.71 | −2.39 | −1.91 | ± 4.0734 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

### STERLING INDEX

### POUND SPOT—FORWARD AGAINST THE POUND

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

### CURRENCY RATES

| Dec. 4 | Bank rate % | Special Drawing Rights* | European Currency Unit |
|---|---|---|---|
| Danish Krone | 7 | 9.01992 | 7.84037 |
| Deutsche Mark | 3½ | 2.3922 | 2.07931 |
| Neth. Guilder | 4½ | 2.70404 | 2.34927 |
| French Franc | 9½ | 7.83289 | 6.81200 |
| Italian Lira | 12 | N/A | 1441.71 |
| Japanese Yen | 3.0 | 195.762 | 170.799 |
| Norway Krone | 8 | 9.04772 | 7.87188 |
| Spanish Peseta | — | 162.102 | 140.652 |
| Swedish Krona | 7½ | 8.29827 | 7.23112 |
| Swiss Franc | 4 | 1.99328 | 1.73320 |
| Greek Drach. | 20½ | 167.839 | 145.610 |
| Irish Punt | — | N/A | 0.764501 |

* C$/SDR rate for December 3: 1.67180

### CURRENCY MOVEMENTS

| December 4 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 68.0 | −25.4 |
| U.S. Dollar | 110.1 | +2.7 |
| Canadian Dollar | 77.3 | −12.4 |
| Austrian Schilling | 134.7 | +9.4 |
| Belgian Franc | 97.9 | −5.5 |
| Danish Krone | 91.0 | +2.9 |
| Deutsche Mark | 143.8 | +20.1 |
| Swiss Franc | 167.6 | +20.7 |
| Guilder | 131.6 | +13.3 |
| French Franc | 71.3 | −12.3 |
| Lira | 48.5 | −15.4 |
| Yen | 204.2 | 52.0 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

### OTHER CURRENCIES

| Dec. 4 | £ | $ |
|---|---|---|
| Argentina | 1.6840-1.6905 | 1.1770-1.1810 |
| Australia | 2.1860-2.1890 | 1.5280-1.5295 |
| Brazil | 20.32-20.43 | 14.20-14.28 |
| Finland | 6.9820-6.9925 | 4.8830-4.8850 |
| Greece | 196.04-199.48 | 136.89-139.20 |
| Hong Kong | 11.1310-11.1470 | 7.7815-7.7845 |
| Iran | 109.10* | 76.00* |
| Korea (Sth) | 1234.12-1245.28 | 861.30-868.30 |
| Kuwait | 0.41940.41980 | 0.29330-0.29340 |
| Luxembourg | 58.60-58.70 | 41.00-41.10 |
| Malaysia | 3.7055-3.7145 | 2.5910-2.5930 |
| N. Zealand | 2.8125-2.8225 | 1.9660-1.9715 |
| Saudi Ar. | 5.3615-5.3670 | 3.7495-3.7505 |
| Singapore | 3.1355-3.1415 | 2.1915-2.1935 |
| S. Af. (Cm) | 3.1445-3.1670 | 2.2050-2.2100 |
| S. Af. (Fn) | 6.0250-4.2900 | 4.2105-4.3955 |
| Taiwan | 51.79-52.05 | 36.17-36.27 |
| U.A.E. | 5.2515-5.2565 | 3.6725-3.6735 |

* Selling rate.

### EURO-CURRENCY INTEREST RATES

### EXCHANGE CROSS RATES

## MONEY MARKETS

# Gas issue creates large shortage

CREDIT CONDITIONS on the London money market are likely to be tight today and on Monday because of funds tied up in the British Gas share issue. Credit was in short supply for this reason yesterday and the authorities were called upon to provide help on a large scale, including repurchase agreements in the morning and afternoon at attractive rates. This was not interpreted as an indication of lower interest rates however, but simply a sign of the difficult conditions created by the British Gas offer.

The yield structure remained flat, with interest rates showing little change. Three-month interbank was steady at 11¼-11⅛ per cent.

**UK clearing bank base lending rate 11 per cent since October 15**

The Bank of England forecast a money market shortage of £900m, and provided total assistance of £867m.

In an early round of help the authorities bought £178m bills outright, by way of £27m bank bills in band 1 at 10⅞ per cent; £8m bank bills in band 3 at 10¾ per cent; and £141m bank bills in band 4 at 10⅜ per cent.

Before lunch another £227m bills were purchased, including £157m outright, through £33m bank bills in band 1 at 10⅞ per cent; £36m bank bills in band 2 at 10⅞ per cent; £22m bank bills in band 3 at 10¾ per cent; and £66m bank bills in band 4 at 10⅜ per cent. A further £70m bills were bought at that time for resale to the market on December 10 at 10⅞ per cent to 11 per cent.

This involved £418m bills bought outright, by way of £54m bank bills in band 1 at 10⅞ per cent; £90m bank bills in band 2 at 10⅞ per cent; £40m bank bills in band 3 at 10¾ per cent; £50m Treasury bills in band 4 at 10⅜ per cent, and £175m bank bills in band 4 at 10⅜ per cent.

Another £46m bills were purchased for resale to the market on December 10 at 10⅞-10⅜ per cent.

In Amsterdam call money rose to 6¼ per cent from 5⅞ per cent. The Dutch Central Bank added Fl 3bn in money market liquidity from today until December 12, through a tender for special advances, at an interest rate of 5¾ per cent. Bids of up to Fl 50m were met in full, and received 50 per cent in the range of Fl 50m to Fl 600m. Bids above Fl 600m were not met. An earlier seven-day liquidity boost through special advances of Fl 1.6bn, at a rate of 5.6 per cent expires today.

### FT LONDON INTERBANK FIXING

### MONEY RATES

### LONDON MONEY RATES

## FINANCIAL FUTURES

# Gilts and US bonds recover

LONG TERM gilts and US Treasury bond futures recovered from weak starts to close at the day's highs on the London International Financial Futures Exchange yesterday. Turnover in long term gilts was relatively modest by recent standards, at around 17,000 contracts, but late short covering pushed March delivery up to the day's peak of 107-31 at the close, compared with 107-19 on Wednesday, and an opening level of 107-09. The depressed start to trading followed a weak close overnight, and a fall of sterling against major currencies in general in early foreign exchange trading. Encouraging West German gross national product growth in the third quarter led to an initial firming of the D-Mark against the dollar and the pound, but this process was reversed later in the day, followed by a recovery in the long gilt and US bond contracts.

March delivery US Treasury bonds opened lower at 99-25, near the day's low of 99-24, but recovered to close at a peak of 100-08, against 100-04 previously.

Apart from an improvement by the dollar and sterling, bond and gilt futures received a boost from a larger than expected fall of 3.6 per cent in October US factory orders, following a rise of 3.4 per cent in September.

This further evidence of sluggish US economic growth encouraged speculation about a cut in the Federal Reserve's discount rate. Dealers commented that a cut is now widely forecast, but the timing remains in doubt. This has lead to a reluctance to sell bond futures, but no strong trend to buy.

Today's November US unemployment figures are regarded as important for the future direction of the market. A slight fall from October's 7 per cent is expected, but traders will be more concerned with the rise in non-farm employment, which is forecast to be relatively low, encouraging hopes of a discount rate reduction.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last Mar. | Calls—Last June | Puts—Last Mar. | Puts—Last June |
|---|---|---|---|---|
| 100 | 8.10 | 8.27 | 0.12 | 0.29 |
| 102 | 6.24 | 6.49 | 0.26 | 0.51 |
| 104 | 4.49 | 5.18 | 0.51 | 1.20 |
| 106 | 3.25 | 3.63 | 1.27 | 2.01 |
| 108 | 2.18 | 2.58 | 2.20 | 2.60 |
| 110 | 1.28 | 2.03 | 3.30 | 4.05 |
| 112 | 0.55 | 1.25 | 4.57 | 5.27 |
| 114 | 0.30 | — | 6.32 | — |

Estimated volume total, Calls 240 Puts 688

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Mar. | Calls—Last June | Puts—Last Mar. | Puts—Last June |
|---|---|---|---|---|
| 90 | 10.21 | 9.47 | 0.05 | 0.27 |
| 92 | 8.28 | 8.03 | 0.12 | 0.47 |
| 94 | 6.42 | 6.32 | 0.26 | 1.12 |
| 96 | 5.02 | 5.07 | 0.50 | 1.51 |
| 98 | 3.40 | 3.59 | 1.24 | 2.39 |
| 100 | 2.31 | 2.59 | 2.15 | 3.39 |
| 102 | 1.39 | 2.07 | 3.23 | 4.51 |
| 104 | 0.63 | 1.31 | 4.47 | 6.11 |

Estimated volume total, Calls 3 Puts 0

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls—Last Dec. | Calls—Last Jan. | Puts—Last Dec. | Puts—Last Jan. |
|---|---|---|---|---|
| 15500 | 7.23 | — | 0.23 | — |
| 15750 | 5.10 | 7.90 | 0.60 | 0.70 |
| 16000 | 3.30 | 5.96 | 1.30 | 1.26 |
| 16250 | 1.92 | 4.30 | 2.42 | 2.10 |
| 16500 | 1.00 | 2.96 | 4.00 | 3.26 |
| 16750 | 0.46 | 1.93 | 5.96 | 4.73 |
| 17000 | 0.19 | 1.18 | 8.19 | 6.48 |
| 17250 | 0.07 | 0.69 | 10.57 | 8.49 |

Estimated volume total, Calls 0, Puts 1

### LIFFE $/£ OPTIONS

### LONDON SE £/$ OPTIONS

### PHILADELPHIA SE £/$ OPTIONS

### LIFFE—EURODOLLAR OPTIONS

### LONDON

### CHICAGO

## EUROPEAN OPTIONS EXCHANGE

| Series | | Feb. 87 Vol. | Feb. 87 Last | May 87 Vol. | May 87 Last | Aug. 87 Vol. | Aug. 87 Last | Stock |
|---|---|---|---|---|---|---|---|---|
| NAT. NED. C | Fl.90 | 13 | 0.50 | 48 | 1.20 | — | — | Fl.81.40 |
| NAT. NED. P | Fl.80 | 9 | 1.40 | 64 | 2.60 | 5 | 4.80 | " |
| PHILIPS C | Fl.55 | 236 | 0.20 | 335 | 0.90 | 17 | 1.70 | Fl.47.20 |
| PHILIPS P | Fl.45 | 90 | 1.20A | 265 | 2.40 | 8 | 3.50 | " |
| ROYAL DUTCH C | Fl.210 | 395 | 3.80 | 308 | 8.70 | 26 | 10.10 | Fl.208 |
| ROYAL DUTCH P | Fl.210 | 58 | 5 | 234 | 7.30B | — | — | " |
| ROBECO C | Fl.95 | 15 | 1.70 | 10 | 3.50 | — | — | Fl.95 |
| ROBECO P | Fl.95 | 5 | 2.30 | — | — | — | — | " |
| UNILEVER C | Fl.520 | 213 | 11.20 | 42 | 25 | — | — | Fl.515.50 |
| UNILEVER P | Fl.480 | 142 | 2.30 | 45 | 6.90 | — | — | " |

TOTAL VOLUME IN CONTRACTS: 25,864

A=Ask B=Bid C=Call P=Put

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 11 | Citibank NA | 11 | ● Morgan Grenfell | 11 |
| Adam & Company | 11 | Citibank Savings | ¶12.45 | Mnt Credit Corp. Ltd. | 11 |
| Allied Arab Bk Ltd. | 11 | City Merchants Bank | 11 | Nat Bk. of Kuwait | 11 |
| Allied Dunbar & Co | 11 | Clydesdale Bank | 11 | National Girobank | 11 |
| Allied Irish Bank | 11 | Comm. Bk. N. East | 11 | Nat Westminster | 11 |
| American Exp. Bk. | 11 | Consolidated Cred. | 11 | Northern Bank Ltd. | 11 |
| Amro Bank | 11 | Co-operative Bank | *11 | Norwich Gen. Trust | 11 |
| Henry Ansbacher | 11 | Cyprus Popular Bk | 11 | PK Finans. Intl (UK) | 11½ |
| ANZ Banking Group | 11 | Duncan Lawrie | 11 | Provincial Trust Ltd. | 12 |
| Associates Cap Corp. | 11 | E. T. Trust | 12 | R. Raphael & Sons | 11 |
| Banco de Bilbao | 11 | Equator'l Tst C'p plc | 11 | Roxburghe G'rantee | 11½ |
| Bank Hapoalim | 11 | Exeter Trust Ltd. | 11½ | Royal Bk of Scotland | 11 |
| Bank Leumi (UK) | 11 | Financial & Gen. Sec. | 11 | Royal Trust Bank | 11 |
| Bank Credit & Comm. | 11 | First Nat. Fin. Corp. | 11½ | Standard Chartered | 11 |
| Bank of Cyprus | 11 | First Nat. Sec. Ltd. | 11½ | Trustee Savings Bnk | 11 |
| Bank of Ireland | 11 | ● Robert Fleming & Co | 11 | UDT Mortgage Exp. | ¶12.25 |
| Bank of India | 11 | Robert Fraser & Ptrs | 12 | United Bk of Kuwait | 11 |
| Bank of Scotland | 11 | Grindlays Bank | ‡11 | United Mizrahi Bank | 11 |
| Banque Belge Ltd. | 11 | ● Guinness Mahon | 11 | Westpac B'king Corp | 11 |
| Barclays Bank | 11 | HFC Trust & Savings | 11 | Whiteaway Laidlaw | 11½ |
| Benchmark Tst Ltd | 11 | ● Hambro Bank | 11 | Yorkshire Bank | 11 |
| Beneficial Trust Ltd. | 12 | Heritable & Gen. Tst. | 11 | | |
| Berliner Bank AG | 11 | ● Hill Samuel | §11 | | |
| Brit. Bk. of Mid. East | 11 | C. Hoare & Co | 11 | | |
| ● Brown Shipley | 11 | Hongkong & Shangh' | 11 | | |
| CL Bank Nederland | 11 | Knowsley & Co. Ltd | 11½ | | |
| Canada Permanent | 11 | Lloyds Bank | 11 | | |
| Cayzer Ltd | 11 | Mase Westpac Ltd. | 11 | | |
| Cedar Holdings | 12 | Meghraj & Sons Ltd | 11 | | |
| ● Charterhouse Bank | 11 | Midland Bank | 11 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1986 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 102 13/16 | 100 1/32 | Exch. 13¼pc 1987 | 100 1/16 | –1/16 | 13.23 | 10.90 |
| 100⅞ | 97 7/8 | Treas 10¼pcCv '87 | 99 13/16 | +1/16 | 10.28 | 11.27 |
| 98 13/16 | 92 13/16 | Exch 2½pc 1987 | 98 1/16 | +1/32 | 2.54 | 9.50 |
| 101⅛ | 97½ | Exch. 10½pc 1987 | 99 11/16 | ..... | 10.53 | 11.32 |
| 98¼ | 93⅝ | Funding 6½pc 85-87 | 98 1/16 | ..... | 6.60 | 10.22 |
| 101¼ | 96 13/16 | Treas. 10pc 1987 | 99 11/16xd | –1/32 | 10.07 | 11.39 |
| 97 1/16 | 90⅞ | Treas 3pc 1987 | 96 13/16 | ..... | 3.10 | 8.64 |
| 104½ | 99⅛ | Treas. 12pc 1987 | 100 3/16 | –1/32 | 11.93 | 11.28 |
| 99¼ | 92 13/16 | Treas 7¾pc 1985-88‡‡ | 97 | ..... | 7.99 | 10.53 |
| 104 | 96¼ | Exch 10½pc '88 | 98 31/32 | –⅛ | 10.61 | 11.31 |
| 102⅝ | 95⅛ | Treas 9¾pc Cv '88 | 97 13/16xd | –1/32 | 9.96 | 11.35 |
| 94¼ | 86⅝ | Transport 3pc '78-88 | 92½xd | ..... | 3.25 | 8.30 |
| 102½ | 93 13/16 | Treas. 9½pc '88 | 96 17/32 | –1/32 | 9.80 | 11.34 |
| 107 3/32 | 98 1/16 | Treas 11½pc 1989 | 100 1/16 | –1/32 | 11.49 | 11.40 |
| 103½ | 93⅛ | Treas 9½pc Cnv 1989 | 96¼ | –1/32 | 9.88 | 11.39 |
| 92¼ | 82 1/32 | Treas 3pc 1989 | 88 1/16 | ..... | 3.39 | 8.27 |
| 105 1/16 | 95 1/16 | Treas 10½pc 1989 | 98¼xd | –1/32 | 10.70 | 11.39 |
| 104 3/16 | 94¼ | Exch.10pc 1989 | 96 11/16 | –1/32 | 10.34 | 11.44 |
| 107 1/16 | 97 | Exch 11pc 1989 | 99⅛ | –1/32 | 11.10 | 11.34 |
| 93 1/16 | 84½ | Treas 5pc 1986-89 | 89¼ | ..... | 5.60 | 9.36 |
| 110 1/16 | 94⅝ | Exch 10¼pcCv '89 | 100 | –1/16 | 10.25 | 10.24 |
| 114 1/16 | 103 1/16 | Treas 13pc 1990‡‡ | 103 31/32 | –¼ | 12.50 | 11.41 |
| 108⅛ | 97¼ | Exch 11pc 1990‡‡ | 98 31/32 | –¼ | 11.11 | 11.35 |
| 113¼ | 101 13/16 | Exch. 12½pc 1990 | 103 | –1/32 | 12.14 | 11.37 |
| 89⅛ | 79⅝ | Treas. 3pc 1990 | 84 | –1/16 | 3.57 | 8.49 |
| 100 1/16 | 89¼ | Treas 8¼pc 1987-90‡‡ | 93 1/16xd | ..... | 8.87 | 10.64 |
| 106 1/16 | 93 | Treas. 10pcCv 1990 | 95 31/32 | –1/32 | 10.43 | 11.34 |
| 86 1/16 | 76½ | Exch 2½pc 1990 | 80 11/16 | –1/32 | 3.10 | 8.32 |
| 112 1/16 | 99 1/16 | Treas 11¾pc 1991 | 101 3/16xd | –1/32 | 11.62 | 11.41 |
| 94¼ | 83 1/16 | Funding 5¾pc '87-91‡‡ | 86⅞ | ..... | 6.62 | 9.51 |
| 86⅛ | 79 1/16 | Treas. 3pc 1991● | 79 13/16 | +1/16 | 3.76 | 8.57 |
| 97⅝ | 95 1/32 | Treas 10pc Cv '91 | 96 1/16 | –1/32 | 10.41 | 11.12 |
| 110⅝ | 96 1/16 | Exch. 11pc 1991 | 98¼ | –1/16 | 11.14 | 11.28 |
| | | **Five to Fifteen Years** | | | | |
| 118¼ | 103⅝ | Treas 12¾pc 1992‡‡ | 105 | –1/16 | 12.14 | 11.40 |
| 107⅛ | 92 1/16 | Treas 10pc 1992 | 94¾ | –¼ | 10.55 | 11.33 |
| 109¾ | 94 1/16 | Treas 10½pc Cv 1992‡‡ | 96 7/32 | –1/32 | 10.86 | 11.33 |
| 117¼ | 101 3/16 | Exch. 12¼pc '92 | 102⅞ | –1/32 | 11.91 | 11.53 |
| 123¾ | 106⅞ | Exch 13½pc 1992 | 108 1/16 | –1/16 | 12.49 | 11.53 |
| 108 | 93 1/16 | Treas 10pc 1993‡‡ | 94 1/16 | –1/16 | 10.63 | 11.33 |
| 120⅞ | 103½ | Treas 12½pc 1993‡‡ | 104⅞ | –¼ | 11.92 | 11.42 |
| 92 | 78½ | Funding 6pc 1993‡‡ | 82 13/16 | +1/16 | 7.29 | 9.60 |
| 128¼ | 109 1/16 | Treas 13¾pc 1993‡‡ | 110¼ | –1/16 | 12.41 | 11.46 |
| 133¼ | 113 1/16 | Treas 14½pc 1994‡‡ | 114⅝ | –1/32 | 12.65 | 11.46 |
| 127¼ | 108¼ | Exch 13½pc 1994 | 109 1/16 | –1/32 | 12.34 | 11.56 |
| 122¼ | 103½ | Exch. 12½pc 1994 | 104⅝ | –1/32 | 11.95 | 11.56 |
| 104 | 86⅞ | Treas 9pc 1994‡‡ | 88¼ | –½ | 10.20 | 11.27 |
| 120¼ | 101 1/16 | Treas 12pc 1995 | 102⅛ | –⅛ | 11.75 | 11.57 |
| 79 | 68¼ | Exch 3pc Gas 90-95 | 73 1/16 | –1/16 | 4.09 | 7.31 |
| 110½ | 92¼ | Exch. 10¼pc 1995 | 93⅝ | –⅛ | 10.98 | 11.47 |
| 126¼ | 106 | Treas 12¾pc 1995‡‡ | 107 1/16 | –⅛ | 11.91 | 11.46 |
| 133¾ | 111 13/16 | Treas. 14pc '96 | 113 1/16 | –⅛ | 12.37 | 11.60 |
| 103⅞ | 86 1/16 | Treas 9pc 1992-96‡‡ | 87 11/16 | –1/16 | 10.26 | 11.16 |
| 142¼ | 119⅛ | Treas 15¼pc 1996‡‡ | 120½ | –⅛ | 12.66 | 11.61 |
| 130½ | 108⅞ | Exch 13¼pc 1996‡‡ | 110¼ | –⅛ | 12.03 | 11.47 |
| 84½ | 74½ | Redemption 3pc 1986-96 | 78 1/16 | –1/16 | 3.84 | 5.97 |
| 106⅞ | 90 11/16 | Conversion 10pc 1996 | 91½ | –¼ | 10.93 | 11.45 |
| 131⅛ | 108 13/16 | Treas 13¼pc 1997‡‡ | 110 1/16 | –⅛ | 12.02 | 11.50 |
| 112¼ | 93½ | Exch 10½pc 1997 | 94½ | –⅛ | 11.11 | 11.41 |
| 101⅝ | 84 1/16 | Treas 8¾pc 1997‡‡ | 85 1/16 | –1/16 | 10.29 | 11.36 |
| 143 | 118 13/16 | Exch 15pc 1997 | 120¼ | –1/32 | 12.49 | 11.68 |
| 107⅛ | 89 1/16 | Exch. 9¾pc 1998 | 90 1/16 | –⅛ | 10.83 | 11.33 |
| 88¼ | 72¼ | Treas 6¾pc 1995-98‡‡ | 73¾ | –⅛ | 9.17 | 10.83 |
| 148⅞ | 123 1/16 | Treas. 15½pc '98‡‡ | 124¾ | –1/16 | 12.42 | 11.59 |
| 124⅛ | 102 13/16 | Exch. 12pc 1998 | 103 11/16 | –1/16 | 11.57 | 11.42 |
| 107¼ | 88⅝ | Treas 9½pc 1999‡‡ | 89½ | –⅛ | 10.61 | 11.08 |
| 126½ | 104 1/16 | Exch. 12¼pc 1999 | 105 11/16 | –1/16 | 11.60 | 11.39 |
| 114 | 94 1/16 | Treas. 10½pc 1999 | 95⅜ | –⅛ | 11.03 | 11.20 |
| 112 | 92 1/16 | Conversion 10¼pc 1999 | 93 1/16 | –⅛ | 10.96 | 11.20 |
| 103⅝ | 85¼ | Conversion 9pc 2000‡‡ | 86¼ | –1/16 | 10.43 | 10.99 |
| 133¼ | 110 1/16 | Treas. 13pc 2000 | 111 1/16 | –1/16 | 11.71 | 11.37 |
| 111¼ | 91 7/16 | Treas 10pc 2001 | 92 1/16 | –⅛ | 10.80 | 11.03 |
| 137¼ | 114⅛ | Treas. 14pc '98-01 | 115¼ | –⅛ | 12.15 | 11.59 |

Over Fifteen Years

Undated

Index-Linked

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## INDUSTRIALS—Continued

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### Finance

### Australians

### Tins

### Miscellaneous

| 1986 High | Low | Stock | Price | + or - | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 300 | 115 | Cons. March. 10c | £12¼ | | 060c | 4.4 | 9.9 |
| 44 | 24 | ♦Emex Int. tr10p | 41 | -1 | — | — | — |
| 159 | 70 | Greenwich Res | 152 | -2 | — | — | — |
| 157 | 93 | Hampton Areas 10p | 147 | | ♦1.0 | — | 1.0 |
| 327 | 165 | ♦Highwood Res | 233 | +6 | — | — | — |
| £20¼ | £13⅛ | Homestake Mining $1 | £18⅞ | +⅞ | 020c | — | 0.7 |
| 310 | 156 | ♦McFinley Red Lake | 197 | | — | — | — |
| 285 | 144 | ♦Musto Explorations | 200 | +6 | — | — | — |
| 51 | 28 | ♦New Sabina Res C$1 | 39 | -1½ | — | — | — |
| 353 | 200 | Northgate C$1 | 304 | -12 | — | — | — |
| 790 | 513 | RTZ | 658 | -6 | 22.0 | 2.4 | 4.6 |
| £164 | £115 | Do. 9¾pcLn '95-2000 | £138¼ | -1½ | Q9½% | 15.5 | (7.1 |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♯♯ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 60 | | Fin. 13% 97/02 | £96¾ | |
| Craig & Rose £1 | £15¾ | | Arnotts | 350 | -20 |
| Finlay Pkg. 5p | 46 | -1 | CPI Hldgs | 48 | |
| Holt (Jos) 25p | 810 | | Carrol Inds. | 141 | +3 |
| IoM Stm. £1 | 78 | +3 | Dublin Gas | 10 | -1 |
| | | | Hall (R. & H.) | 95 | |
| IRISH | | | Heiton Hldgs. | 27 | |
| Fund 11¼% 1988 | £96¾ | | Irish Ropes | 140 | |
| Nat. 9¾% 84/89 | £91⅝ | | Unidare | 260 | +5 |

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# LONDON STOCK EXCHANGE

**Account Dealing Dates**

| Option *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Nov 24 | Dec 4 | Dec 5 | Dec 15 |
| Dec 8 | Dec 18 | Dec 19 | Jan 5 |
| Dec 22 | Jan 8 | Jan 9 | Jan 19 |

" New time dealings may take place from 9.00 am two business days earlier.

## Share prices give further ground in nervous trading but Gilts rally on bear-closing

Share prices continued to slip lower in London as nervousness over the recent batch of official inquiries was heightened by Exco International's decision to call in the City Fraud Squad to investigate irregularities at a subsidiary. Also discouraging the institutional investors was the slightly cool response to the mammoth British Gas share offer.

In the absence of buying support, the equity market soon drifted easier, and attempts to rally proved unsuccessful.

The FT-SE 100 index closed 5.0 down at 1610.1 and the FT Ordinary index at 1265.9 shed 3.2.

In the "grey market" in British Gas shares, opened ahead of the start on Monday of official dealings, the stock was initially quoted at 51-55p, against the 50p partly-paid offer price, but later rallied to 54p-57p.

Rumours that Japanese houses were offering to sell Gas stock were quickly denied—Nomura Securities said it would probably be a buyer next week. "Demand from Japanese private investors was very good," commented Mr Keith Clark of Nomura, adding that the firm would have been happy to "handle 10 per cent of the Gas issue"—after applications were scaled down, Nomura ended up with about 2½ per cent.

US investors were reportedly showing some interest in the Gas issue, but only at the offer price. Overall, the grey market saw a trickle of small sellers.

The oil sector, against which British Gas will now be measured by the stock market analysts, shaded lower in thin trading. Most of the blue chips were also sluggish, although Unilever, spurred on by its plans to acquire Chesebrough Pond's again moved higher.

There was another bout of nervous selling of Standard Chartered, while LCP Holdings eased as the chairman requested a Stock Exchange enquiry into share dealings ahead of the bid from Ward White.

Among the internationals, Japanese issues strengthened in the wake of the Tokyo market. Both Saatchi & Saatchi and Hanson Trust pleased the analysts with their respective trading results, but neither share price made much headway.

The Government bond market was lower for most of the day but rallied to close firmly as traders covered their bear positions at the close of the session. Retail interest remained thin. The FT Government Securities index was 0.34 down at 81.21.

### Morgan Grenfell rally

Investors yesterday took the view that recent selling of Morgan Grenfell in the wake of Mr Geoffrey Collier's resignation and the DTI investigation at Guinness had been overdone and began to suport the shares at the lower levels. The upshot was that MG closed a steadier session, 12 higher on balance at 365p. Lloyds broker, Willis Faber, however, which holds a stake in Morgans, remained nervous and dropped 10 afresh at 433p, after 428p. Elsewhere, Standard Chartered met with further selling amid continuing speculation that the group could be the subject of a DTI investigation and lost 8 more making a two-day relapse of 52 at 767p. Prelminiary profits some £18m short of market expectations depressed Royal Bank of Scotland which fell 22 to 274p. Bank of Scotland dropped 15 at 399p in sympathy.

The latest addition to the Unlisted Securities Market, plastic packaging group Gaynor, made a bright debut, closing at 107p compared with the placing price of 94p.

Guinness regained some composure after the steep fall which followed Monday's shock news of the DTI's investigation into the company's affairs and closed 5 better at 284p. Bass, meanwhile, chapened 6 at 713p despite reporting annual profits at the top end of market estimates. Elsewhere, Merrydown recorded a speculative rise of 21 at 381p.

Leading Building issues were untested and showed very little change on the day, but secondary issues, notably brick concerns, made useful progress excited by new that Nottingham Brick had received an approach from Steetley; the former were marked sharply higher and settled a net 50 up on balance at 290p. Steetley gave up 7 to 458p. More modest improvements were seen in Baggeridge Brick, 10 up at 435p, and Ibstock Johnsen, 4 dearer at 194p. Elsewhere in the sector, John Finlan firmed 3 to 76p following news of a £5.2m property disposal, while Thomas Warrington gained 2 to 100p in a restricted market. Moving sharply against the trend, Breedon and Cloud Hill Lime Works dipped 23 to 233p following the appearance of a relatively sizeable seller in a unwilling market.

### Fine Art pleases

Fine Art Developments provided an outstanding feature among secondary Stores as the shares advanced 14½ to 183½p in response to the much better-than-expected interim results. Elsewhere, a few of the old speculative favourites showed up well with Executex notable for a gain of 10 at 90p and Stead and Simpson "A" for a rise of 6 at 98p. French Connection added 7 at 177p, but Freemans came on offer at 380p, down 16. Empire lost 6 at 170p and Lincroft Kilgour relinquished 10 at 245p. Ratners rose 7½ to 247½p following an investment recommendation, while Sears responded to revived speculative support with a rise of 3¼ at 124¾p.

A profits downgrading by Pru-Bache overshadowed news of the multi-million dollar Boeing/Saudi deal and Racal reacted from recent strength to finish the session 7 down at 176p. Other Electrical majors rarely strayed from their overnight levels. Elsewhere, Burgess Products attracted revived speculative support and closed 17 higher at 238p, while gains of 8 and 10 respectively were seen in Electron House, 128p, and Questel, 203p. MK succumbed to profit-taking and lost 8 at 382p and Zygal Dynamics came on offer at 43p, down 7.

Acutely disappointing interim figures prompted selling of Baker Perkins which settled a little above the day's lowest with a fall of 15 at 224p. 600 Group, also reflecting lower half-year profits, fell away to close 8 lower at 98p. Elsewhere in the Engineering sector, VSL Consortium continued to edge higher at 185p, up 3, following the recent interim statement, while occasional support left F. S. Ratcliffe 10 higher at 115p and Richardson Westgarth 1½ dearer at 51½p. Tace, in contrast, continued to drift lower awaiting next Tuesday's preliminary figures and gave up another 10 to 310p. Among the leaders, GKN were a relatively lively market, but settled 3 lower at 271p.

Northern Foods displayed fresh weakness following comment on the interim results and shed 9 to 250p, a two-day fall of 17. Christian Salveson revealed half-year profits much in line with market estimates, but dipped 9 to 141p following reports of a full-year profits downgrading. Hunter Saphir settled a penny off at 180p following the interim results. In contrast, a sudden burst of speculative buying in a restricted market lifted Cheshire Wholefoods 18 to 266p. Sidney Banks were in demand at 355p, up 20, and Somportex rose 3 to 229p.

Leading Hotels were narrowly mixed. Grand Metropolitan softened 3 to 453p, but Trusthouses Forte were a steady market throughout and edged forward a penny to 179p. Kennedy Brookes revived with a gain of 6 at 270p, while Stakis added 4 to 74p following Press comment.

Hanson Trust were actively traded following the announcement of the preliminary figures and a proposed one-for-three scrip issue and the price settled a shade better at 191p; 19m shares were traded. Most other leading miscellaneous industrials drifted a little easier, but Unilever, a good market since the company's announcement of its proposed offer for Chesebrough Pond's improved $\frac{5}{16}$ more to £21$\frac{7}{16}$. BTR drifted back 2 further to 269p, but bid target Pilkington closed a shade better at 613p. Elsewhere, Equipu featured a gain of 35 at 205p on news of the bid approach. Satisfactory interim figures left Johnson Matthey a penny harder at 216p. Erskine House 5 to the good at 158p, but Scapa Group eased 10 to 235p after the interim results and acquisition news. Expansion hopes prompted a gain of 10 to 126p in Dwek Group, but J. Billam drifted back 4 more to 131p following the recent speculative flurry. Central and Sheerwood closed 1½ down at 6p following the bigger interim loss, while disappointing half-year results prompted a reaction of 13 to 185p in Holden Hydroman. Pentland edged up 5 further to 475p, but Hestair, at 156p, gave up 5 of the previous day's speculative gain. USM quoted Bluebird Toys continuel to attract buyers and put on 7 more to 273p.

Recent reports of reduced advertising revenue sparked off a bout of profit-taking among recently-firm television issues. TV-am came back 7 to 201p and Yorkshire lost 9 at 166p. Central were 9 off at 381p and LWT 8 lower at 448p, while Thames slipped 4 to 303p.

Fairline Boats shed 11 to 201p reflecting the slightly cautious statement which accompanied the annual results. Photax (London) gained 9 to 80p in a very thin market.

Heightening fears that the bid battle could end in stalemate unsettled AE which came back 9 to 273p; Turner and Newall's offer is due to close today and rival bidder Hollis will not accept in respect of its holding. Among Distributors, Godfrey Davis eased 3 to 119p on uninspiring interim figures but Evans Halshaw made fresh headway, rising 4 to 148p. Comment on Mr Ron Brierley's stake attracted fresh buyers to Perry, up 4 at 130p.

Associated Newspapers moved to a new peak for the year, rising 21 to 361p on demand aroused by its shareholding in Herald and Weekly Times; one of Australia's top three media groups, the latter has agreed to a bid from Mr Rupert Murdoch's News Corporation. Daily Mail "A" were raised two points to £20 in sympathy with Associated Newspapers. Barham ran into profit-taking after recent firmness on acquisition news and ended 6 down at 154p but FKB gained 2 to 243p after the interim statement. Preliminary profits in line with market estimates caused an initial fall in Saatchi and Saatchi to 659p but the price rallied to close only marginally lower at 668p.

Secondary Property issues displayed several noteworthy movements. News that it is in discussions with Arbuthnot Properties left Imry 20 to 408p, after 410p. UK Land gained 35 to 238p in reply to the excellent annual results, while Grainger Trust moved up 25 to 650p in a restricted market. Lynton continued to respond to a broker's recommendation and firmed 5 more to 336p, a two-day rise of 13, while press comment boosted Asda Property 5p to 365p. Abaco Investments revived strongly and closed 3½ higher at 66½p, but recently firm Parkdale encountered profit-taking in front of today's interim and settled a couple of pence cheaper at 89p.

Listings in Peninsular and Orient and European Ferries were restored late following details of the promised offer. The agreed terms valued European Ferries at around the suspension price level of 122p but P and O weakened to end 15 down at 508p. The dealing irregularities at Exco, currently in receipt of an agreed offer from British and Commonwealth, left the latter 6 off at 290p. Associated Caledonia Investment were similarly cheaper at 271p.

Tootal announced fresh expansion moves and called for cash of £23m, via a share placing of 25.6m shares, to finance a US acquisition. After a brisk trade, Tootal settled a shade lower at 98p. Other Textiles also showed marginal changes on the session.

China and Eastern Investment were bought after the sharp rise in the net asset value figure and gained 9 to 100p, while Altifund income shares were quoted ex the 5.32p dividend payment at 50p. Financial Trusts staged a noteworthy movement in United Trust and Credit which rose 25 to 440p following the announcement of a bid approach. Since coming to the USM sector some months ago, the financial services group has met with considerable success and is said to be attracting the attention of Mr T. C. Cole of Bestwood, whose shares yesterday fell 15 to 160p. Recently-firm Harvey and Thompson fell back late to close 20 down at 300p.

### Oils lose ground

The oil majors, which have held up well in the face of widespread weakness in equities over the past few days, finally gave ground and closed with modest falls across the board. Share prices were initially marked down, reflecting overnight US selling, and dipped further on offerings prompted by a gradual drift in oil prices ahead of next Thursday's OPEC meeting. The sector was additionally unsettled by the disappointing number of applications for British Gas shares which resulted in a sharp fall in the price of British Gas shares in the unofficial "grey market".

BP dipped 4 to 673p amid rumours that a leading broker had downgraded its profits forecast for the company. Shell drifted back to close 4 off at 945p while Britoil lost 2 to 149p and Enterprise a like amount to 150p. LC Gas moved up 7 to 550p reflecting hopes of a counter bid to Gulf Resources' current offer, which received only minimal acceptances this week.

Few Overseas Traders bucked the trend and Tozer Kemsley lost 6 more to 155p, while Polly Peck gave up 4 at 176p. Chillington were lowered 13 in a thin market to 138p, but James Finlay found support and rose 3 further to 89p.

### Golds move up

The performance of the Financial Rand and, to a lesser extent the bullion price, were the dominant factors in South African sectors of mining markets. The Rand moved up around 2 cents to 24 cents against the dollar and quickly triggered off strong buying of Gold and related issues by Johannesburg operators who were additionally encouraged by the steady performance of the gold market at the opening. However, a subsequent decline in both the Rand and bullion prompted profit-taking in Golds and the sector came off in the early afternoon with sentiment additionally unsettled by US selling. The bullion price, which was trading around $392 during the morning, finally ended the session a net $5 lower at $387.5.

Platinums were buoyed by the strong showing by Golds and Rustenburg advanced 45 to 761p while Impala moved up to 796p. Lydenburg jumped 60 to 619p.

London-domiciled Financials were again unsettled by the latest falls in domestic equities. Consolidated Gold Fields fell 3 more to 840p and Rio Tinto-Zinc dipped 6 to 658p.

Australian mines wer overshadowed by developments in "down-under" industrial issues which included the A$1.8bn bid for the Herald and Weekly Times group by Rupert Murdoch's News Corporation. Golds made limited progress spearheaded by Gold Mines of Kalgoorlie which put on 20 to 678p. Sons of Gwalia added 7 at 355p and Metana 9 at 285p.

### Traded Options

A reduced overall trade in the Traded Options market of 25,169 contracts, comprising 16,437 calls and 8,732 puts again featured Hanson Trust which recorded 5,558 calls and 1,229 puts following the results. GEC were also lively with 1,432 calls and 2,126 puts arranged, while the recently beleaguered Guinness attained 1,167 calls and 238 puts.

### Traditional Options

- First dealings Nov 17 Dec 1 Dec 15
- Last dealings Nov 28 Dec 12 Jan 2
- Last declaration Feb 19 Mar 5 Mar 19
- For Settlement Mar 2 Mar 16 Mar 30

*For rate indications see end of Unit Trust Service*

Stocks dealt in for the call included Guinness, Boots, Morgan Grenfell, Dee Corporation, Tay Homes, Trusthouse Forte, Ferranti, Johnson and Firth Brown, Amstrad, NatWest, Barclays and Britoil. No puts were reported, but a double option was arranged in Tay Homes.

## FINANCIAL TIMES STOCK INDICES

| | Dec. 4 | Dec. 3 | Dec. 2 | Dec. 1 | Nov. 28 | year ago | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 81.21 | 81.55 | 81.23 | 81.13 | 81.75 | 83.43 | 94.51 (18/4) | 80.39 (20/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 88.43 | 88.58 | 88.41 | 88.38 | 88.55 | 89.18 | 97.68 (?/?) | 86.55 (23/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1,265.9 | 1,269.1 | 1,278.4 | 1,272.5 | 1,292.2 | 1,110.4 | 1,425.9 (3/4) | 1,094.3 (14/1) | 1,425.9 (3/4/86) | 49.4 (26/6/40) |
| Gold Mines | 331.8 | 317.0 | 322.9 | 331.8 | 314.5 | 277.6 | 357.8 (22/4) | 185.7 (18/7) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.49 | 4.48 | 4.44 | 4.47 | 4.41 | 4.44 | | | | |
| Earnings Yld.%(full) | 10.50 | 10.40 | 10.30 | 10.38 | 10.26 | 11.02 | | | | |
| P/E Ratio (net) (*) | 11.66 | 11.74 | 11.85 | 11.76 | 11.91 | 11.20 | | | | |
| SEAQ Bargains (5pm) | 24,916 | 25,431 | 27,395 | 29,647 | 28,875 | — | | | | |
| Equity Turnover (£m) | — | 1,310.84 | 962.86 | 896.35 | 1,146.02 | 666.82 | | | | |
| Equity Bargains | — | 38,471 | 36,802 | 39,889 | 36,392 | 33,453 | | | | |
| Shares Traded (ml) | — | 515.2 | 379.6 | 385.7 | 362.1 | 319.1 | | | | |

**S.E. ACTIVITY**

| Indices | Dec. 3 | Dec. 2 |
|---|---|---|
| Gilt Edged Bargains | 135.7 | 119.2 |
| Equity Bargains | 249.3 | 238.5 |
| Equity Value | 2649.5 | 1946.2 |
| 5-Day Average | | |
| Gilt Edged Bargains | 130.6 | 132.4 |
| Equity Bargains | 240.5 | 240.0 |
| Equity Value | 2048.0 | 2027.4 |

| ♥ Opening | 10 a.m. | 11 a.m. | Noon | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1266.3 | 1267.5 | 1270.6 | 1267.1 | 1265.5 | 1265.6 | 1265.9 | 1264.7 |

Day's High 1270.7. Day's Low 1264.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.19.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## NEW HIGHS AND LOWS FOR 1986

**NEW HIGHS (107)**

AMERICANS (7), CANADIANS (1), BANKS (1), BREWERS (1), BUILDINGS (8), CHEMICALS (4), STORES (3), ELECTRICALS (2), ENGINEERING (2), FOODS (3), INDUSTRIALS (10), INSURANCE (1), LEISURE (2), MOTORS (2), NEWSPAPERS (4), PAPER (2), PROPERTY (7), TEXTILES (1), TRUSTS (38), OVERSEAS TRADERS (1), MINES (6).

**NEW LOWS (19)**

CORPORATION LOANS (2) Birmingham 11½pc 2012, Leeds 13½pc 2006, LOANS (1) Nationwide Bld Soc 11¼pc 26.10.87, AMERICANS (1) Damson Oil, BANKS (1) MCorp, BUILDINGS (1) Breedon Lime, ELECTRICALS (2) Ferranti, Goring Kerr, ENGINEERING (1) TACE, FOODS (3) Avana, Batleys, Northern Foods, INDUSTRIALS (4) Highpoint Servs, Pacific Sales Sidlaw, Wilkes (J.), INSURANCE (1) Sedgwick, SHIPPING (1) Sea Containers, TRUSTS (1) Altifund Inc.

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Closing price | Day's change |
|---|---|---|---|
| ASDA-MFI | 385 | 148 | −1 |
| Allied Lyons | 177 | 301 | — |
| BAT | 870 | 450 | — |
| BOC | 2,100 | 350 | −1 |
| BTR | 4,700 | 269 | −2 |
| Barclays | 697 | 474 | +2 |
| Bass | 469 | 713 | −6 |
| Beecham | 802 | 413 | −3 |
| Blue Circle | 1,600 | 641 | +1 |
| Boots | 904 | 228 | −1 |
| Brit. Aero | 1,200 | 490 | −5 |
| Britoil | 673 | 149 | −2 |
| BP | 5,800 | 673 | −4 |
| Brit. Telecom | 4,000 | 194 | −1 |
| Burton | 1,100 | 262 | — |
| Cable & Wire | 992 | 319 | −1 |
| Cadbury Schwep | 1,800 | 181 | −5 |
| Coats Viyella | 616 | 444 | −6 |
| Comm. Union | 977 | 258 | — |
| Cons. Gold | 309 | 840 | −3 |
| Courtaulds | 2,100 | 311 | −4 |
| Dee Corp | 622 | 207 | −1 |
| Dixons Grp | 410 | 330 | +1 |
| Fisons | 143 | 338 | −2 |
| Gen. Accident | 138 | 822 | −2 |
| Gen. Elec | 7,300 | 167½ | +½ |
| Glaxo | 1,100 | 907 | −3 |
| Grand Met | 3,200 | 453 | −3 |
| Gus "A" | 143 | 1105 | — |
| Guardian R.E. | 444 | [illegible] | — |
| GKN | 2,300 | 271 | −3 |
| Guinness | 3,100 | 284 | +5 |
| Hanson Trust | 19,000 | 191 | +½ |
| Hawker Sidd | 152 | 437 | +2 |
| ICI | 762 | 1111 | −6 |
| Jaguar | 2,300 | 513 | −5 |
| Ladbroke | 290 | 358 | — |
| Land Securities | 352 | 340 | −1 |
| Legal & Gen | 1,900 | 245 | +2 |
| Lloyds Bnk | 727 | 419 | +5 |
| Lonrho | 867 | 228½ | +½ |
| Marks & Spencer | 2,200 | 184 | +1 |
| Midland Bank | 392 | 541 | +4 |
| NatWest Bank | 975 | 485 | +2 |
| Pearson | 619 | 578 | — |
| P & O | 1,000 | 508 | −15 |
| Pilkington Bros | 873 | 616 | +3 |
| Plessey | 1,300 | 169 | — |
| Prudential | 1,000 | 814 | −4 |
| Racal | 6,100 | 176 | −7 |
| Rank Org | 473 | [illegible] | −2 |
| Reckitt & Col | 1,100 | 542 | −3 |
| Reuters | 1,400 | 578 | −5 |
| RTZ | 73 | 658 | −6 |
| Rowntree Mac | 149 | 404 | −3 |
| Royal Insurance | 349 | 822 | −2 |
| STC | 1,800 | 188 | +1 |
| Sainsbury | 256 | 415 | — |
| Sears | 8,500 | 124½ | +3 |
| Sedgwick | 1,100 | 316 | −9 |
| Shell Trans | 3,100 | 945 | −4 |
| Smith & Nephew | 2,200 | 116 | −2 |
| Standard Chart | 690 | 767 | −8 |
| Storehouse | 953 | 282 | +3 |
| Sun Alliance | 117 | 629 | +1 |
| TSB | 2,800 | 79½ | — |
| Tesco | 2,000 | 394 | +4 |
| Thorn EMI | 1,000 | 475 | +3 |
| Trafalgar House | 2,500 | 267 | +1 |
| THouse Forte | 1,600 | 179 | +1 |
| Ultramar | 456 | 201 | −1 |
| Unilever | 458 | [illegible] | +4 |
| United Biscuits | 781 | 228 | −1 |
| Wellcome | 555 | 214 | −2 |
| Woolworth | 235 | 658 | — |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 4 | 94 | 15 |
| Corporations, Dominion and Foreign Bonds | 1 | 22 | 46 |
| Industrials | 361 | 561 | 606 |
| Financial and Properties | 145 | 153 | 281 |
| Oils | 14 | 38 | 50 |
| Plantations | 1 | 8 | 8 |
| Mines | 80 | 12 | 90 |
| Others | 61 | 72 | 69 |
| Totals | 677 | 957 | 1,165 |

## FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

**EQUITY GROUPS & SUB-SECTIONS** — Figures in parentheses show number of stocks per section — Thursday December 4 1986

| EQUITY GROUPS & SUB-SECTIONS | Index No. | Day's Change % | Est. Earnings Yield % (Max.) | Gross Div. Yield % (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Wed Dec 3 Index No. | Tues Dec 2 Index No. | Mon Dec 1 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (211) | 672.85 | −0.3 | 9.28 | 3.85 | 13.65 | 16.53 | 675.06 | 678.20 | 677.45 | 569.19 |
| 2 Building Materials (27) | 843.53 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 3 Contracting, Construction (29) | 1146.42 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 4 Electricals (12) | 1707.20 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 Electronics (38) | 1434.48 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 6 Mechanical Engineering (61) | 379.92 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 8 Metals and Metal Forming (7) | 349.62 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 9 Motors (16) | 264.43 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 10 Other Industrial Materials (21) | 1179.85 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 21 CONSUMER GROUP (186) | 922.38 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 22 Brewers and Distillers (22) | 914.57 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 Food Manufacturing (24) | 733.01 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 26 Food Retailing (16) | 1827.45 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27 Health and Household Products (10) | 1493.51 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 Leisure (29) | 968.32 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32 Publishing & Printing (14) | 2660.38 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 33 Packaging and Paper (14) | 483.98 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 Stores (38) | 831.78 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 35 Textiles (17) | 529.91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 36 Tobaccos (2) | 1259.99 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 40 OTHER GROUPS (86) | 792.86 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 Chemicals (20) | 1011.01 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 44 Office Equipment (4) | 256.82 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 Shipping and Transport (12) | 1534.39 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 47 Telephone Networks (2) | 779.45 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 48 Miscellaneous (48) | 1184.11 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 INDUSTRIAL GROUP (483) | 832.85 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 51 Oil & Gas (17) | 1398.43 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 59 500 SHARE INDEX (500) | 888.57 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 61 FINANCIAL GROUP (118) | 597.30 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 Banks (8) | 641.58 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 65 Insurance (Life) (9) | 854.03 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 Insurance (Composite) (7) | 448.63 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 67 Insurance (Brokers) (9) | 1153.95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 Merchant Banks (11) | 340.78 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 Property (50) | 804.80 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 Other Financial (24) | 362.01 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 Investment Trusts (98) | 848.46 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 81 Mining Finance (2) | 322.87 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 91 Overseas Traders (13) | 751.30 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 99 ALL-SHARE INDEX (731) | 804.87 | −0.3 | — | 4.10 | — | 20.95 | 807.02 | 811.28 | 807.41 | 675.97 |

| | Index | Day's Change | Day's High | Day's Low | Dec 3 | Dec 2 | Dec 1 | Nov 28 | Nov 27 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♦ | 1610.1 | −5.0 | 1614.2 | 1607.8 | 1615.1 | 1625.5 | 1617.8 | 1636.7 | 1632.5 | [illegible] |

### FIXED INTEREST

| PRICE INDICES | Thurs Dec 4 | Day's change % | Wed Dec 3 | xd adj. today | xd adj. 1986 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 5 years | 118.63 | −0.09 | 119.13 | 0.39 | 10.76 |
| 2 5-15 years | 128.33 | −0.47 | 128.94 | — | 11.61 |
| 3 Over 15 years | 132.91 | −0.56 | 133.65 | — | 11.93 |
| 4 Irredeemables | 144.93 | −0.20 | 145.23 | — | 13.57 |
| 5 All stocks | 126.95 | −0.36 | 127.55 | 0.14 | 11.49 |
| **Index-Linked** | | | | | |
| 6 5 years | 115.04 | +0.02 | 115.02 | — | 2.00 |
| 7 Over 5 years | 111.25 | −0.03 | 111.27 | — | 2.84 |
| 8 All stocks | 111.83 | −0.02 | 111.85 | — | 2.69 |
| 9 Debentures & Loans | 108.89 | −0.32 | 109.24 | — | 11.06 |
| 10 Preference | 78.66 | −0.05 | 78.69 | — | 6.17 |

| AVERAGE GROSS REDEMPTION YIELDS | | Thurs Dec 4 | Wed Dec 3 | Year ago (approx.) |
|---|---|---|---|---|
| **British Government** | | | | |
| 1 Low | 5 years | 9.95 | 9.92 | 10.04 |
| 2 Coupons | 15 years | 10.69 | 10.61 | 10.22 |
| 3 | 25 years | 10.70 | 10.61 | 10.23 |
| 4 Medium | 5 years | 11.44 | 11.35 | 10.98 |
| 5 Coupons | 15 years | 10.86 | 10.79 | 10.57 |
| 6 | 25 years | 10.66 | 10.60 | 10.19 |
| 7 High | 5 years | 11.42 | 11.42 | 11.07 |
| 8 Coupons | 15 years | 11.02 | 10.95 | 10.69 |
| 9 | 25 years | 10.75 | 10.69 | 10.35 |
| 10 Irredeemables | | 10.36 | 10.34 | 9.74 |
| **Index-Linked** | | | | |
| 11 Inflat'n rate 5% | 5 yrs | 3.77 | 3.77 | 0.8 |
| 12 Inflat'n rate 5% | Over 5 yrs | 3.85 | 3.83 | 0.8 |
| 13 Inflat'n rate 10% | 5 yrs | 2.33 | 2.32 | 0.0 |
| 14 Inflat'n rate 10% | Over 5 yrs | 3.64 | 3.64 | 0.0 |
| 15 Debs & | 5 years | 11.89 | 11.84 | 11.26 |
| 16 Loans | 15 years | 11.84 | 11.79 | 11.26 |
| 17 | 25 years | 11.78 | 11.73 | 11.22 |
| 18 Preference | | 11.83 | 11.83 | 10.87 |

♦Opening index 1609.9; 10 am 1610.8; 11 am 1613.2; Noon 1608.9; 1 pm 1608.3; 2 pm 1608.5; 3 pm 1608.7; 3.30 pm 1608.5; 4 pm 1609.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

## LONDON TRADED OPTIONS

| Option | | Calls Jan. | Calls Apr. | Calls July | Puts Jan. | Puts Apr. | Puts July |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*302) | 280 | 28 | 37 | 43 | 3 | 7 | 15 |
| | 300 | 12 | 21 | 30 | 14 | 17 | 23 |
| | 330 | 4 | 13 | 18 | 37 | 40 | 42 |
| | 360 | 1 | 7 | — | 68 | 70 | — |
| B.P. | 500 | 183 | — | — | 1 | — | — |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Feb. | Calls May. | Calls Aug. | Puts Feb. | Puts May. | Puts Aug. |
|---|---|---|---|---|---|---|---|
| Midland Bk (*539) | 500 | 57 | 77 | 85 | 5 | 15 | 23 |
| | 550 | 32 | 40 | 47 | 25 | 35 | 40 |
| | 600 | 10 | 15 | 22 | 65 | 67 | 72 |
| P. & O. (*510) | 460 | 65 | 77 | 90 | 4 | 10 | 14 |
| | 500 | 35 | 48 | 65 | 18 | 25 | 27 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

December 4. Total Contracts 25,169. Calls 16,437. Puts 8,732.
FT-SE Index. Calls 511 Puts 935
*Underlying security price.

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price p | + or − | Net Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. [illegible]

# WORLD STOCK MARKETS

## SWEDEN (continued)

| Dec. 4 | Price Kronor | + or — |
|---|---|---|
| Cellulosa | 275 | +1 |
| Electrolux B | 323 | —4 |
| EricssonB. | 227 | —1 |
| Esselte | 149 | —4 |
| Mo och Domsjo | 270 | ... |
| Pharmacia | 207 | —4 |
| Saab Scania Free | 735 | ... |
| Sandvik | 158 | —5 |
| Skandia | 132 | —3 |
| Skan Enskilda | 118 | —1 |
| SKF | 360 | —1 |
| StoraKopparbrg. | 290 | +5 |
| Sven. Handlsbk | 420 | ... |
| Swedish Match | 460 | +2 |
| Volvo B (Free) | 354 | —8 |

## SWITZERLAND

| Dec. 4 | Price Frs. | + or — |
|---|---|---|
| Adia Intl | 9,200 | +150 |
| Alusuisse | 525 | ... |
| Bank Leu | 4,120 | +20 |
| Brown Boveri | 1,820 | +10 |
| Ciba Geigy | 3,525 | +10 |
| do. (Part Certs) | 2,585 | —15 |
| Credit Suisse | 3,810 | —15 |
| Elektrowatt | 3,610 | +10 |
| Fischer (Geo) | 1,770 | —5 |
| Hoff.Roche PtCts | 12,285 | ... |
| Hoff-Roche 1/10 | 12,300 | +225 |
| Jacobs Suchard | 8,925 | —50 |
| Jelmoli | 4,275 | ... |
| Landis & Gyr | 1,920 | +20 |
| Nestle | 9,710 | +35 |
| Oer-Buehrle | 1,505 | +5 |
| Pirelli | 461 | ... |
| Sandoz (Br) | 9,950 | +40 |
| Sandoz (Pt Cts) | 1,680 | +20 |
| Schindler (Pt Cts) | 670 | +5 |
| Sika | 1,625 | +25 |
| Surveillance A. | 8,875 | +25 |
| Swissair | 1,390 | —20 |
| Swiss Bank | 571 | +1 |
| Swiss Reinsce. | 19,350 | +50 |
| Swiss Volksbk. | 2,735 | —5 |
| Union Bank | 5,960 | —30 |
| Winterthur Inh | 7,550 | —25 |
| Zurich Ins | 8,650 | +50 |

## AUSTRALIA

| Dec. 4 | Price Aust. $ | + or — |
|---|---|---|
| ACI Intl | 4.06 | +0.01 |
| Adelaide Steams | 13.4 | +0.1 |
| Amcor | 3.95 | +0.01 |
| ANZ Group | 5.94 | +0.08 |
| Ampol Pet | 2.72 | +0.02 |
| Ariadne | 3.44 | ... |
| Ashton | 2.38 | +0.02 |
| Aust. Guarantee | 3.25 | +0.02 |
| Aust. Nat. Inds | 2.95 | ... |
| Bell Group | 8.3 | +0.2 |
| Bell Res | 4.10 | +0.01 |
| Bond Corp Hldgs | 2.98 | +0.10 |
| Boral | 4.35 | +0.05 |
| Bougainville | 3.05 | +0.10 |
| Brambles Inds | 7.3 | +0.1 |
| Bridge Oil | 0.70 | +0.01 |
| B. H. Prop | 8.52 | +0.08 |
| Burns Philp | 9.0 | ... |
| CRA | 7.16 | +0.14 |
| CSR | 2.87 | ... |
| Chase Corp | 5.6 | ... |
| Claremont Pet | 0.75 | ... |
| Coles-Myer | 5.80 | ... |
| Comalco 'A' | 2.38 | +0.03 |
| Consolidated Pet | 0.27 | ... |
| Costain Aust | 2.80 | —0.05 |
| Elders IXL | 4.20 | +0.02 |
| Energy Res | 1.65 | +0.01 |

## HONG KONG (continued)

| Dec. 4 | Price H.K.$ | + or — |
|---|---|---|
| Cathay Pacific | 5.65 | +0.05 |
| Cheung Kong | 35.75 | —0.75 |
| China Light | 20.7 | —0.4 |
| Evergo | 0.57 | ... |
| Hang Seng Bank | 38.0 | —0.5 |
| Henderson Land | 4.30 | —0.02 |
| HK China Gas | 15.9 | +0.1 |
| HK Electric | 11.3 | —0.2 |
| HK Kowloon Wh. | 9.15 | —0.40 |
| HK Land | 6.35 | —0.10 |
| HK Shanghai Bk. | 8.5 | —0.10 |
| HK Telephone | 14.8 | +0.1 |
| Hutchison Wpa. | 4.375 | —1.0 |
| Indust.Equit.Pac | 30.75 | +0.5 |
| Jardine Math. | 21.6 | —1.0 |
| New World Dev. | 10.1 | ... |
| SHK Props | 18.1 | —0.2 |
| Shell Elect | 0.75 | ... |
| Swire Pac A | 18.6 | +0.5 |
| TV—B | 10.2 | ... |
| Winsor Inds | 9.0 | —0.1 |
| World Int. Hldgs. | 3.62 | —0.25 |

## JAPAN

| Dec. 4 | Price Yen | + or — |
|---|---|---|
| Ajinomoto | 1,920 | +20 |
| All Nippon Air | 990 | —20 |
| Alps Electric | 2,100 | +20 |
| Asahi Chem | 815 | +5 |
| Asahi Glass | 1,360 | +20 |
| Bank Tokyo | 885 | +10 |
| Bridgestone | 750 | —2 |
| Brother Inds | 605 | —2 |
| Canon | 1,050 | ... |
| Casio Comp | 1,390 | ... |
| Chugai Pharm | 1,270 | —30 |
| Daiei | 1,380 | —20 |
| Dai-Ichi Kan. Bk. | 1,700 | +30 |
| Dai Nippon Ink | 540 | +5 |
| Dai Nippon Ptg | 1,880 | ... |
| Daiwa House | 1,870 | —10 |
| Daiwa Sec | 1,840 | +80 |
| Eisai | 1,970 | —10 |
| Fanuc | 6,300 | +10 |
| Fuji Bank | 1,690 | ... |
| Fuji Film | 3,220 | +10 |
| Fujisawa | 1,510 | +10 |
| Fujitsu | 1,180 | +70 |
| F'urukawa Elect. | 569 | +1 |
| Green Cross | 2,500 | —50 |
| Heiwa Real Est. | 1,090 | +30 |
| Hitachi | 1,030 | +39 |
| Hitachi Credit | 1,730 | +20 |
| Honda | 1,280 | +10 |
| Indl. Bk. Japan | 2,230 | +90 |
| IshikawajimaHr. | 479 | +33 |
| Isuzu Motor | 341 | +1 |
| Itoh (C) | 830 | +40 |
| Ito Yokado | 4,260 | +60 |
| Jal | 9,690 | +120 |
| Jusco | 1,430 | ... |
| Kajima | 1,330 | +30 |
| Kao Corp | 1,680 | ... |
| Kawasaki Steel | 201 | +10 |
| Kirin | 1,510 | +10 |
| Kobe Steel | 174 | +8 |
| Komatsu | 491 | +5 |
| Konishiroku | 625 | —7 |
| Kubota | 378 | +8 |
| Kumagai | 1,250 | +30 |
| Kyocera | 4,090 | ... |
| Marubeni | 481 | +9 |
| Marui | 2,850 | +20 |
| Mazda Mtr'ors | 375 | —5 |
| Meiji Seika | 805 | —3 |
| MIE | 2,060 | +50 |
| M'bishi Bank | 1,690 | +30 |
| M'bishi Chem | 775 | +28 |
| M'bishi Corp | 1,130 | +60 |
| M'bishi Elect | 475 | +41 |
| M'bishi Estate | 2,340 | +60 |

## JAPAN (continued)

| Dec. 4 | Price Yen | + or — |
|---|---|---|
| MHI | 461 | +11 |
| Mitsui Bank | 1,160 | ... |
| Mitsui Co | 605 | +15 |
| Mitsui Estate | 1,990 | +20 |
| Mitsui Toatsu | 354 | +3 |
| Mitsukoshi | 1,250 | +30 |
| NGK Insulators | 960 | +15 |
| Nikko Sec | 1,590 | +40 |
| Nippon Denso | 1,650 | +30 |
| Nippon Elect | 2,100 | +50 |
| Nippon Express | 1,250 | +30 |
| Nippon Gakki | 1,710 | +40 |
| Nippon Kogaku | 867 | +7 |
| Nippon Kokan | 288 | +12 |
| Nippon Oil | 1,260 | +60 |
| Nippon Seiko | 497 | +1 |
| Nippon Shimpan | 1,190 | ... |
| Nippon Steel | 181 | +13 |
| Nippon Suisan | 464 | +3 |
| Nippon Yusen | 478 | +28 |
| Nissan Motor | 567 | +22 |
| Nisshin Flour | 760 | —15 |
| Nomura | 3,100 | +90 |
| Olympus | 1,080 | ... |
| Onoda Cement | 565 | +15 |
| Orient Finance | 1,190 | —10 |
| Orient Leasing | 3,990 | +40 |
| Pioneer | 2,360 | —30 |
| Ricoh | 940 | +25 |
| Sankyo | 1,570 | —30 |
| Sanwa Bank | 1,400 | —10 |
| Sanyo Elect | 407 | +5 |
| Sapporo | 1,230 | +30 |
| Sekisui House | 1,690 | —10 |
| Seven Eleven | 8,770 | +60 |
| Sharp | 1,060 | +30 |
| Shimizu Constn | 769 | +27 |
| Shionogi | 1,560 | +30 |
| Shiseido | 2,070 | ... |
| Showa Denko | 340 | +9 |
| Sony | 3,580 | +50 |
| S'tomo Bank | 2,190 | +30 |
| S'tomo Chem | 392 | +22 |
| S'tomo Corp | 979 | +48 |
| S'tomo Elect | 1,830 | +50 |
| S'tomo Metal | 155 | +9 |
| Taisei Corp | 930 | +20 |
| Taisho Marine | 969 | +9 |
| Taiyo Kobe Bank | 730 | +1 |
| Takeda | 2,380 | ... |
| TDK | 4,000 | ... |
| Teijin | 710 | +20 |
| Toa Nenryo | 1,690 | +20 |
| Tokai Bank | 1,130 | ... |
| Tokio Marine | 1,790 | +10 |
| Tokyo Elect Pwr. | 8,400 | +100 |
| Tokyo Gas | 1,160 | +70 |
| Tokyu Corp | 1,280 | ... |
| Toppan Print | 1,680 | —30 |
| Toray | 625 | +34 |
| Toshiba Elect | 673 | +23 |
| Toyo Seikan | 2,100 | —40 |
| Toyota Motor | 2,100 | +100 |
| UBE Inds | 295 | +10 |
| Victor | 2,700 | —60 |
| Yamaha | 650 | +1 |
| Yamaichi Sec | 1,580 | +40 |
| Y'manouchiPhm | 3,300 | +30 |
| Yamazaki | 1,600 | +10 |
| Yasuda Fire | 946 | +20 |

## SINGAPORE

| Dec. 4 | Price $ | + or — |
|---|---|---|
| Boustead Hldgs. | 1.33 | —0.05 |
| Gold Storage | 3.56 | —0.02 |
| DBS | 8.95 | +0.05 |
| Genting | 6.1 | ... |
| Haw Par Bros. | 2.91 | ... |
| Hong Leong Fin. | 2.9 | —0.06 |
| Inchcape Bhd. | 2.82 | +0.02 |
| Keppel Corp | 2.80 | ... |
| Malay Banking | 5.1 | +0.05 |
| Malay Utd. Ind. | 1.39 | ... |
| Multi Purpose | 0.54 | —0.02 |
| OCBC | 9.1 | ... |
| OUB | 3.62 | ... |
| Public Bank | 1.25 | —0.01 |
| Sime Darby | 1.82 | ... |
| Singapore Air | 9.25 | ... |
| Singapore Press. | 8.0 | ... |
| Straits Trading | 3.68 | ... |
| Tat Lee Bank | 2.97 | —0.02 |
| UOB | 4.44 | —0.02 |

## SOUTH AFRICA

| Dec. 4 | Price Rand | + or — |
|---|---|---|
| Abercom | 3.2 | ... |
| AE & CI | 14.5 | ... |
| Allied Tech | 86 | ... |
| Anglo Am. Coal | 36.25 | —1.75 |
| Anglo Am. Corp. | 64.25 | +0.25 |
| Anglo Am. Gold | 313 | —7 |
| Barclays Bank | 19.5 | —0.75 |
| Barlow Rand | 19 | —0.1 |
| Buffels | 82 | ... |
| CNA Gallo | 2.7 | —0.05 |
| Currie Finance | 4.5 | ... |
| De Beers | 32.75 | —0.75 |
| Driefontein | 66.25 | —1.25 |
| F. S. Cons | 52.5 | ... |
| Gold Fields S.A. | 61 | +1 |
| Highveld Steel | 5.8 | —0.45 |
| Malcor | 17.5 | —0.3 |
| Nedbank | 5.95 | —0.05 |
| OK Bazaars | 16 | ... |
| Rembrandt | 83.25 | ... |
| Rust Plat | 45.5 | +0.25 |
| Safren | 16.25 | ... |
| Sage Holdings | 9.5 | ... |
| SA Brews | 15.25 | +0.5 |
| Smith (CG) | 30.5 | ... |
| Tongaat Hulett | 7.3 | —0.2 |

AUSTRIA, BELGIUM/LUXEMBOURG, DENMARK, FINLAND, NETHERLANDS, GERMANY, ITALY, FRANCE, NORWAY, SPAIN, SWEDEN (first part), AUSTRALIA (continued), HONG KONG (first part): [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

# CANADA

## TORONTO

*Closing prices December 4*

[illegible]

## MONTREAL

*Closing prices December 4*

[illegible]

## Indices

NEW YORK, STANDARD AND POORS, N.Y.S.E. ALL COMMON, TORONTO, and world indices: [illegible]

# OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

[illegible]

# LONDON Chief price changes (in pence unless otherwise indicated)

| RISES | | |
|---|---|---|
| Assoc. News | 361 | +21 |
| Burgess Products | 235 | +14 |
| Ches Wholefoods | 266 | +18 |
| China & East. Inv. | 100 | +9 |
| Dwek Group | 125 | +10 |
| Equipu | 265 | +35 |
| Executex | 90 | +10 |
| Fine Art Dev. | 183 | +14 |
| Imry Prop. | 413 | +25 |
| Morgan Grenfell | 365 | +12 |
| Nottingham Brick | 290 | +55 |
| Ratners | 241½ | +7½ |
| Stead & Simp A | 98 | +6 |
| Unilever | £21⅞ | +⅝ |
| UK Land | 238 | +35 |
| Utd. Trust & Cred | 440 | +25 |

| FALLS | | |
|---|---|---|
| AE | 273 | —9 |
| Baker Perkins | 224 | —15 |
| Breedon Lime | 233 | —23 |
| Brit. & Comm. | 290 | —6 |
| Chillington | 138 | —13 |
| Fairline Boats | 201 | —11 |
| Harvey & Thomp. | 300 | —20 |
| P. & O. Defd. | 508 | —15 |
| Racal Elec. | 178 | —7 |
| R. Bank of Scot. | 274 | —22 |
| Salvesen | 144 | —9 |
| Scapa Group | 235 | —10 |
| Tozer Kemsley | 155 | —6 |
| Yorkshire TV | 166 | —9 |

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28½ | 16 | AAR s | .44 | 1.8 | 18 | 419 | 24¼ | 23⅞ | 24 | −⅛ |
| 30 | 21¾ | ADT | .92 | 3.5 | | 376 | 26⅝ | 26⅛ | 26⅜ | +⅛ |
| 33 | 15⅝ | AFG s | .12i | .4 | 15 | 496 | 31¼ | 30¾ | 31⅛ | +½ |
| 27½ | 16¾ | AGS | | | 19 | 593 | u29 | 27¾ | 28½ | +1 |
| 15 | 7⅝ | AMCA | | | | 3 | 7¾ | 7¾ | 7¾ | +⅛ |
| 62⅛ | 38¼ | AMR | | | 14 | 4705 | 59⅛ | 58½ | 58¾ | +¼ |
| 27½ | 23¾ | ANR pf | 2.67 | 10. | | 1 | 26⅝ | 26⅝ | 26⅝ | +⅛ |
| 24¾ | 20⅛ | ANR pf | 2.12 | 8.8 | | 14 | 24⅛ | 24 | 24 | −⅜ |
| 16¾ | 10 | ARX | .71t | 6.2 | 11 | 50 | 11⅝ | 11⅛ | 11⅝ | +¼ |
| 41½ | 28¾ | ASA | 2a | 5.5 | | 408 | 36⅞ | 36½ | 36⅝ | −½ |
| 16⅝ | 9¾ | AVX | | | 26 | 73 | 12½ | 12⅜ | 12⅜ | |
| 32 | 25½ | AZP | 2.72 | 9.3 | 9 | 2301 | 29⅝ | 29⅜ | 29¼ | |
| 55 | 30¼ | AbtLb s | .84 | 1.7 | 22 | 4104 | 49 | 48 | 48⅞ | +½ |
| 32 | 24⅛ | AccoWd | .56 | 2.1 | 17 | 351 | 27⅜ | 27 | 27⅛ | |
| 14⅞ | 9 | AcmeC | .40 | 4.0 | | 373 | 10⅜ | 10⅛ | 10⅛ | −⅜ |
| 9¾ | 6⅞ | AcmeE | .32b | 5.1 | 16 | 22 | 6⅜ | 6¼ | 6¼ | −⅛ |
| 23⅞ | 17½ | AdaEx | 4.45e | 22. | | 82 | 20⅝ | 20⅜ | 20½ | |
| 33⅝ | 19⅛ | AdmMl | .48 | 1.7 | 13 | 1 | 28⅛ | 28⅛ | 28⅛ | −⅛ |
| 20⅜ | 12⅞ | AdvSyst | .45t | 6.5 | 15 | 710 | 17⅛ | 16 | 17 | +1 |
| 32⅞ | 12⅞ | AMD | | | | 1176 | 16½ | 16⅛ | 16¼ | +⅛ |
| 12⅝ | 5¼ | Adobe | | | | 110 | 6 | 5¾ | 5⅞ | |
| 16⅝ | 13¾ | Adob pf | 1.84 | 11. | | 44 | 16½ | 16¼ | 16½ | +¼ |
| 20¼ | 16⅝ | Adob pf | 2.40 | 14. | | 46 | 18 | 17¾ | 17¾ | −¼ |
| 16⅜ | 10 | Advest | .12a | .9 | 10 | 199 | 13⅝ | 13⅜ | 13½ | |
| 66¼ | 49⅞ | AetnLf | 2.64 | 4.5 | 9 | 6281 | 60 | 58⅞ | 59 | −1 |
| 55¾ | 51½ | AetL pf | 3.94e | 7.5 | | 2114 | 53 | 52¾ | 52¾ | +⅛ |
| 101½ | 87¼ | AetL pfC | 5.95e | 6.7 | | 25 | 88⅝ | 88⅝ | 88⅝ | −¼ |
| 70 | 34⅞ | AfilPb s | .44 | .6 | 34 | 444 | u70¾ | 69¼ | 70⅝ | +1½ |
| 26¾ | 13 | Ahmns | .48 | 1.9 | 7 | 8942 | 24½ | 23 | 23⅝ | +¾ |
| 5¾ | 2¾ | Aileen | | | 45 | 26 | 3¼ | 3⅛ | 3⅛ | |
| 41⅝ | 29⅛ | AirPrd s | .80 | 2.1 | [illegible] | 1720 | 38⅞ | 37¼ | 38¼ | +⅞ |
| 32 | 16 | AirbFrt | .60 | 2.1 | 20 | 139 | 29 | 28⅝ | 28⅞ | +¼ |
| 20⅜ | 18½ | Airlse n | | | | 62 | 19 | 18¾ | 19 | |
| 2 | ¼ | AlMoanl | .60c | | | 73 | 7-16 | 13-32 | 13-32 | −1-32 |
| 10¾ | 8 | AlaP dpf | .87 | 8.6 | | 27 | 10⅛ | 10⅛ | 10⅛ | |

Continued on Page 43

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25¾ | 15 | Wynns | .80 | 2.7 | | 18 | 22⅛ | 22 | 22 | −⅛ |
| | | **X Y Z** | | | | | | | | |
| 72¼ | 48⅝ | Xerox | 3 | 4.9 | 13 | 10012 | 62½ | 60⅞ | 61½ | +½ |
| 58¼ | 54 | Xerox pf | 5.45 | 9.8 | | 62 | 55¾ | 55½ | 55⅝ | −⅛ |
| 28¾ | 20¾ | XTRA | .64 | 2.6 | | 480 | 24¾ | 23½ | 24¾ | +1⅜ |
| 18¾ | 13½ | Yorkin n | | | | 156 | 17 | 16⅝ | 16⅞ | +¼ |
| 49⅝ | 28½ | ZaleCp | 1.40 | 2.8 | | 109 | 49⅝ | 49⅝ | 49⅝ | |
| 9½ | 2¼ | Zapata | .03j | | | 379 | 2⅝ | 2½ | 2½ | |
| 43⅞ | 20¾ | Zayre s | .32 | 1.2 | 19 | 4206 | 27⅜ | 26⅜ | 27 | +⅝ |
| 17 | 9¾ | Zemex | .40 | 2.9 | 22 | 35 | 15⅞ | 13⅝ | 13⅞ | |
| 29⅞ | 17⅞ | ZenithE | | | | 519 | 20⅞ | 20¼ | 20¾ | +¼ |
| 18¼ | 8 | ZenLb s | | | 66 | 539 | 10⅝ | 10⅜ | 10⅜ | −¼ |
| 22⅝ | 12⅝ | Zero s | .26 | 1.9 | 16 | 439 | 15⅜ | 14⅞ | 15¼ | +½ |
| 45¾ | 32¾ | Zurnin | 1.32 | 3.2 | 17 | 126 | 42 | 41½ | 41⅞ | +¼ |
| 10⅝ | 9½ | Zweig n | | | | 630 | 9¾ | d | 9⅝ | 9⅝ −¼ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.



# AMEX COMPOSITE CLOSING PRICES

# OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 41

# FINANCIAL TIMES
## WORLD STOCK MARKETS

WALL STREET

## Blue chips stage gentle retreat

WALL STREET stock prices continued to move gently down in fairly active trading yesterday, despite another buoyant day in the bond market.

Investor consolidated their positions after the record-breaking rally earlier this week, *writes Anatole Kaletsky in New York.* Analysts were encouraged by the way the blue chips which had led Tuesday's successful assault on the market record, retreated gently yesterday, leaving the lesser issues to take up the running in what was seen as a healthy broadening of the bull market.

The Dow Jones industrial average closed 7.59 down at 1,939.68, the bulk of the fall occurring in the last half hour of business, although the Transportation average continued its upward progress to 866.62, a rise of 2.87. Volume was dencent, rather than spectacular, at 157.8m trades.

IBM, AT&T and Exxon all moved narrowly in moderate morning trading. IBM gave up $⅞ to $127¾, while Exxon retreated by $⅝ to $68¾. AT&T, which had held steady on Wednesday, against the gentle downward pressure on the other blue chips, fell into line yesterday with a decline of $¼ to $27¼.

General Electric moved back $⅞ to $87⅜ in fairly heavy trading. The retreat was not surprising after GE's big jumps earlier this week, when analysts showered the market with buy recommendations after a bullish presentation by the chairman at a brokers' meeting. General Motors was hit after the market closed on Wednesday by news of further layoffs and a shareholder lawsuit against the management's decision to buy out dissident director Mr H. Ross Perot – but managed to confine its losses to $½ to trade at $71½.

USX returned to its now traditional position among the day's most active stocks. News that the sale of the steel and oil giant's chemical operations had fetched $526m was good for a $⅜ gain to $21⅞.

Among the day's other active issues was Coca-Cola, unchanged at $37¾, after it had announced a share repurchase plan. The number of shares involved, 10 million or 2.6 per cent of the soft drink giant's capitalisation, was too modest to have much impact on the price. Schlumberger also traded actively, rising by $⅝ to $34½ on an analyst's recommendation.

Another sought-after share was Baxter Travenol Laboratories, the healthcare company which earlier this week announced a major consolidation and redundancies programme. The shares were up $½ to $20¼, with 2.2m shares changing hands. Other pharmaceutical stocks were narrowly mixed, with Merck up $¾ at $114¾ and Squibb down $1¼ at $114½.

Among the major chemical companies, Du Pont fell $⅝ to $90⅝ while Union Carbide was unchanged at $23¼.

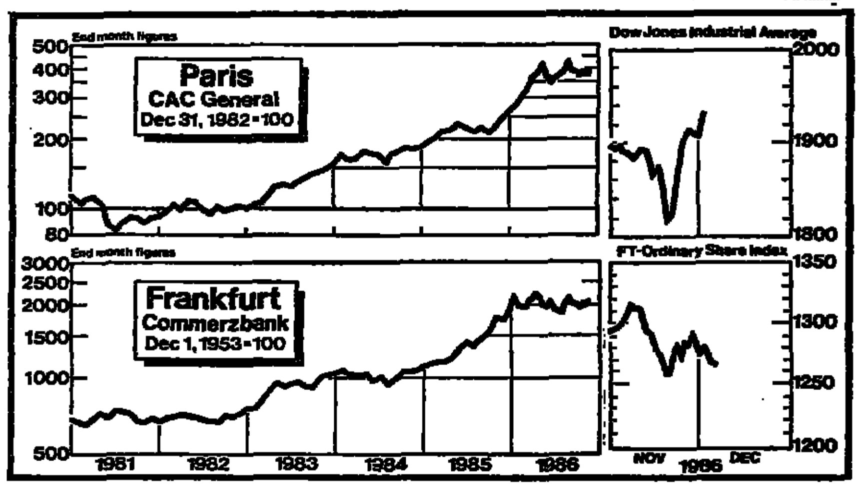
With no new bids or corporate raids to liven up the market, the arbitrageurs managed to find a play in Gillette, the razor company which recently greenmailed itself out of the clutches of Revlon's Mr Ronald Perelman.

Several other leading store groups announced lacklustre November sales results yesterday and Sears Roebuck slipped $¼ to $44½ while Woolworth fell $1⅞ to $43⅞. Among the retailers with better November sales results, Allied Stores rose $⅝ to $66⅝ and Dayton Hudson improved by $⅛ to $46.

The dollar is strength, thanks in part to the Treasury Secretary's comments on international exchange-rate co-operation, helped push the government bond market to levels last seen August. The only economic news of note was a 3.6 percent decline in factory orders.

Although this was roughly in line with market expectations, this sign of economic weakness, along with a year-on-year rise of only 2.4 per cent in West Germany's GNP, confirmed the bullish tone in the bond market. The Treasury long bond rose 22/32 to 102 20/32 in moderate trading by lunchtime. At this level the bond yielded 7.26 per cent, while the Fed Funds rate fell back to 5⅞ per cent.

### KEY MARKET MONITORS




**STOCK MARKET INDICES**

| | Dec 4 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1,939.68 | 1,947.13 | 1,484.40 |
| DJ Transport | 866.62 | 863.75 | 709.62 |
| DJ Utilities | 213.90 | 213.84 | 165.62 |
| S&P Composite | 253.05 | 253.85 | 204.23 |
| **LONDON** | | | |
| FT Ord | 1,265.9 | 1,269.1 | n/a |
| FT-SE 100 | 1,610.1 | 1,615.1 | 1,399.6 |
| FT-A All-share | 804.87 | 807.02 | 675.97 |
| FT-A 500 | 880.57 | 883.07 | 742.96 |
| FT Gold mines | 331.8 | 317.0 | n/a |
| FT-A Long gilt | 10.75 | 10.69 | 10.35 |
| **TOKYO** | | | |
| Nikkei | 18,623.95 | 18,445.06 | 12,811.2 |
| Tokyo SE | 1,552.50 | 1,532.26 | 1,007.76 |
| **AUSTRALIA** | | | |
| All Ord. | 1,411.1 | 1,390.5 | 987.6 |
| Metals & Mins. | 687.3 | 677.40 | 484.7 |
| **AUSTRIA** | | | |
| Credit Aktien | 236.19 | 234.30 | 232.97 |
| **BELGIUM** | | | |
| Belgian SE | 4,073.32 | 4,061.20 | 2,950.84 |
| **CANADA** | | | |
| **Toronto** | | | |
| Metals & Minls | 2,059.70 | 2,065.00 | 1,997.0 |
| Composite | 3,072.60 | 3,070.80 | 2,884.0 |
| **Montreal** | | | |
| Portfolio | 1,551.38 | 1,551.09 | 133.76 |
| **DENMARK** | | | |
| SE | 197.20 | 198.45 | 228.31 |
| **FRANCE** | | | |
| CAC Gen | — | 404.50 | 245.4 |
| Ind. Tendance | — | 160.50 | 92.00 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 686.09 | 689.26 | 584.58 |
| Commerzbank | 2,068.90 | 2,079.00 | 1,726.20 |
| **HONG KONG** | | | |
| Hang Seng | 2,430.52 | 2,460.00 | 1,700.92 |
| **ITALY** | | | |
| Banca Comm. | 707.28 | 713.67 | 446.08 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 285.00 | 286.40 | 236.30 |
| ANP-CBS Ind | 283.50 | 284.10 | 214.50 |
| **NORWAY** | | | |
| Oslo SE | 366.17 | 365.93 | 397.29 |
| **SINGAPORE** | | | |
| Straits Times | 886.54 | 888.81 | c |
| **SOUTH AFRICA** | | | |
| JSE Golds | — | 1,848.0 | 1,195.5 |
| JSE Industrials | — | 1,363.0 | 1,036.2 |
| **SPAIN** | | | |
| Madrid SE | 192.33 | 191.32 | 98.22 |
| **SWEDEN** | | | |
| J&P | 2,478.14 | 2,942.76 | 1,603.45 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | — | 592.50 | 534.0 |
| **WORLD** | Dec 3 | Previous | Year ago |
| MS Capital Int'l | 355.9 | 353.7 | 245.7 |

**COMMODITIES**

| (London) | Dec 4 | Prev |
|---|---|---|
| Silver (spot fixing) | 376.35p | 371.35p |
| Copper (cash) | £939.75 | £923.25 |
| Coffee (March) | £2,070.00 | £1,900.00 |
| Oil (Brent blend) | $14.50 | $14.675 |

**GOLD (per ounce)**

| | Dec 4 | Prev |
|---|---|---|
| London | $387.50 | $392.50 |
| Zürich | $388.95 | $393.25 |
| Paris (fixing) | $392.24 | $386.33 |
| Luxembourg | $391.65 | $385.35 |
| New York (Feb) | $391.7 | $395.80 |

* Indicates latest pre-close figure

**CURRENCIES**

| (London) | US DOLLAR Dec 4 | Previous | STERLING Dec 4 | Previous |
|---|---|---|---|---|
| $ | — | — | 1.4290 | 1.4320 |
| DM | 1.9920 | 1.9725 | 2.8475 | 2.825 |
| Yen | 162.80 | 162.25 | 232.50 | 232.25 |
| FFr | 6.5275 | 6.4575 | 9.3275 | 9.25 |
| SFr | 1.6540 | 1.6415 | 2.3775 | 2.35 |
| Guilder | 2.2500 | 2.2290 | 3.215 | 3.1925 |
| Lira | 1,375.00 | 1,367.50 | 1,964.75 | 1,958.25 |
| BFr | 41.05 | 41.05 | 58.65 | 58.80 |
| C$ | 1.3815 | 1.3830 | 1.9745 | 1.9785 |

**INTEREST RATES**

| Euro-currencies (3-month offered rate) | Dec 4 | Prev |
|---|---|---|
| £ | 11 7/16 | 11 7/16 |
| SFr | 4¼ | 4¼ |
| DM | 4⅝ | 4⅝ |
| FFr | 8 13/16 | 8 11/16 |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 6 3/16 | 6 5/16 |
| 6-month US$ | 6¼ | 6⅜ |
| **US Fed Funds** | 6⅛* | 5⅞ |
| **US 3-month CDs** | 5.75* | 5.975 |
| **US 3-month T-bills** | 5.395* | 5.55 |

**US BONDS**

| Treasury | December 4* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| 6⅜ 1988 | 100 7/32 | 6.131 | 100 5/32 | 6.165 |
| 7¼ 1993 | 101 20/32 | 6.905 | 101 19/32 | 6.87 |
| 7¼ 1996 | 101 28/32 | 6.984 | 101 14/32 | 7.047 |
| 7¼ 2016 | 102 20/32 | 7.257 | 102 15/32 | 7.309 |

Source: Harris Trust Savings Bank

**Treasury Index**

| Maturity (years) | Return Index | Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 161.12 | +0.31 | 6.78 | −0.04 |
| 1–10 | 152.86 | +0.23 | 6.49 | −0.04 |
| 1–3 | 142.32 | +0.09 | 6.15 | −0.03 |
| 3–5 | 155.77 | +0.21 | 6.57 | −0.04 |
| 15–30 | 190.63 | +0.58 | 7.76 | −0.03 |

Source: Merrill Lynch

| Corporate | December 4* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 3¾ July 1990 | 92.529 | 6.25 | 92.218 | 6.35 |
| SCBT South Central | | | | |
| 10⅞ Jan 1993 | 106.50 | 9.48 | 106.75 | 9.425 |
| Phibro-Sal | | | | |
| 8 April 1996 | 100 | 8.0 | 99.125 | 8.126 |
| TRW | | | | |
| 8⅜ March 1996 | 103.25 | 8.24 | 103 | 8.275 |
| Arco | | | | |
| 9⅞ March 2016 | 110 | 8.91 | 109.125 | 8.984 |
| General Motors | | | | |
| 8⅜ April 2016 | 94 | 8.70 | 92.625 | 8.83 |
| Citicorp | | | | |
| 9⅜ March 2016 | 101.375 | 9.24 | 99.375 | 9.441 |

Source: Salomon Brothers

**FINANCIAL FUTURES**

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Dec | 101–10 | 101–23 | 100–31 | 101–03 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| Dec | 94.70 | 94.71 | 94.67 | 94.67 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| Sept | — | — | — | — |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| Dec | 93.94 | 93.95 | 93.92 | 93.94 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| Dec | 107–25 | 107–25 | 107–05 | 107–14 |

* Latest available figures

TOKYO

## Utilities spearhead firm trend

BUYING gained further strength in Tokyo yesterday, reflecting investor hopes for still higher prices, *writes Shigeo Nishiwaki of Jiji Press.*

Tokyo Gas joined the vanguard of the strong market rally, which had been led by Tokyo Electric Power and Matsushita Electric Industrial.

The Nikkei stock average added 168.89 to 18,623.95. Volume rose further from 1.03bn to 1.33bn shares. Gains outpaced losses by 436 to 421, with 137 issues unchanged.

Heavy trading was due partly to hurried buying by individual investors, and institutional investors, fuelling expectations for still higher prices after Wall Street's surge to a record high on Tuesday.

One securities firm official estimated that the ratio of institutional daily orders placed with major securities firms to total orders expanded from the usual 40 per cent to 56 per cent on Wednesday and around 60 per cent yesterday.

But the official noted that institutional investors sold large lots of Tokyo Electric Power and other issues, which had rebounded strongly, and issued new buy orders for lower-priced stocks.

Encouraged by the rapid rebound of the utilities, individual and institutional investors began to seek other large-capitals such as steels and shipbuildings. Nippon Kokan topped the active list, with 131.28m shares changing hands, rising Y12 to Y258.

Tokyo Gas rose Y70 to Y1,160 after an early Y1,190 on the second largest volume of 97.64m shares. Kawasaki Steel, third busiest with 96.32m shares, gained Y10 to Y201 and Kawasaki Steel, fourth with 68.97m shares, Y33 to Y479.

Tokyo Electric Power gained Y100 to a new peak of Y8,400, despite increased profit-taking by institutionals. Matsushita Electric Industrial added Y50 to Y2,060.

Blue-chips also strengthened, with Toshiba putting on Y23 to Y673 and Fujitsu, also busy with Y70 to Y1,180.

Elsewhere, industrial leaders rose across the board, with Sumitomo Realty and Development moving up Y30 to Y1,710, Toray Y34 to Y625 and Taisei Y20 to Y930.

Bonds moved widely after opening firmer on strong buying due to lower interest rates overseas and the plunge in certificate of deposit rates to record low levels on the domestic open market.

Futures for delivery in March advanced Y0.32 from the previous day to Y104.87 at one stage, but later dropped sharply, reflecting growing anxiety over the precariously high price. Rumours that the Bank of Japan is concerned about the recent surge in bond prices also helped bring futures down to close lower at Y104.51.

The erratic futures movements were reflected in the cash market. The yield on the 5.1 per cent government bond falling due in June 1996 tumbled from 5.325 to 5.280 per cent at one stage in block trading on the Tokyo Stock Exchange and later rallied to 5.305 per cent on the over-the-counter market.

### HONG KONG

STRONG LOCAL SELLING dragged Hong Kong from its recent peaks and pushed the Hang Seng index down 29.48 to 2,430.52.

Some dealers cited the announcement that a group including Hutchison Whampoa and Hongkong Electric would take a controlling stake in the Canadian Husky Oil group as the trigger for the sell off.

Hutchison dropped HK$1 to HK$43.75, HK Electric dipped 20 cents to HK$11.30 and Cheung Kong, Hutchison's largest shareholder, retreated 75 cents to HK$35.75.

The placement of 100m World International (Holdings) shares at HK$3.60 brought the group's share price down 22½ cents to HK$3.62½ while its associate Wharf (Holdings) dropped 40 cents to HK$9.15.

EUROPE

## Easier tone follows US declines

THE MOMENTUM went out of Europe's bourses yesterday which were depressed by Wall Street's overnight decline. Although some markets ended the day higher on balance gains were limited and trading was generally quiet.

**Frankfurt**, which rose strongly on Wednesday, suffered from disappointment over Deutsche Bank's profits as well as worries over Wall Street and the dollar.

The market was also depressed by news that manufacturing orders fell during October and the Commerzbank index, set at midsession, lost 10.1 to 2,068.9.

Deutsche Bank reported 10-month earning sup more than 56 per cent, but disappointment was felt because most of this was derived from the Flick group flotation fees. Deutsche lost DM 8.50 to DM 841.

Other banks were also down including Commerzbank, which fell DM 3.50 to DM 321, and Dresdner, DM 2 lower at DM 417.50. BHF, despite announcing increased interim profits for its parent company, lost DM 3 to DM 547.

Most other sectors moved lower, Chemicals saw BASF lose DM 1.70 to DM 275.30 and Bayer DM 1.10 to DM 317.

Among electronics Siemens continued to show some strength by closing only 60 pfg down at DM 752.70, while AEG shed DM 3 to DM 325.50.

The car sector, which rose strongly on Wednesday, slipped back. VW closed DM 5 lower at DM 430, while Daimler and BMW both shed DM 1 to close at DM 1,348 and DM 599, respectively.

Retailer Kaufhof lost DM 2.50 to DM 551.50 and Karstadt DM 3 to DM 501, while steel group Thyssen eased DM 2 to DM 153.

Bonds closed mixed with an easier bias as due to an absence of foreign buying. Losses ranged between 10 and 20 basis points.

The Bundesbank bought DM 30.6m of paper yesterday after selling DM 176.9m on Wednesday.

**Brussels** closed generally firmer helped by continuing optimism over Government plans to introduce tax incentives for pension savings schemes and the start of a new trading period.

Market leader Petrofina added BFr 60 to close at BFr 9,750 amid interest from foreign investors. Elsewhere holding company Société Générale de Belgique rose BFr 215 to BFr 3,395 also on overseas demand.

Among chemicals UCB was unchanged at BFr 8,800, while wire maker Bekaert went against the trend falling BFr 100 to BFr 11,100.

**Zurich** suffered from profit-taking early in the day but closed mixed after buying emerged in some sectors.

Banks were in demand but most closed lower, including UBS bearer, which fell SFr 30 to SFr 5,960. However, Bank Leu rose SFr 20 to SFr 4,120.

Other financials were generally mixed including insurers. Winterthur lost SFr 25 to SFr 7,550 but Zurich added SFr 50 to SFr 8,650.

**Amsterdam** turned mixed as selling pressure set in. The market was also depressed by the banks' announcement of a half-point surcharge on base lending fees.

Among internationals Philips lost 40 cents to Fl 47.20 and Unilever was Fl 3.50 lower at Fl 515.50.

**Paris** firmed late in the day on hopes that Wall Street would again resume its advance. Diversified foods group BSN scored a FFr 145 rise to FFr 4,595 and food retailer Carreour was unchanged at FFr 3,750.

Elsewhere car maker Peugeot went against the trend losing FFr 19 to FFr 1,140 but tyre maker Michelin rose FFr 74 to FFr 2,710.

**Oslo** saw Wednesday's sharp falls ease off although there was still concern about the outcome of next year's budget.

Banks were still weak including Christiana Bank og Kreditkasse, which fell NKr 2.50 to NKr 171. Elsewhere Norsk Hydro fell NKr 1.50 to NKr 143.50 and Norsk Data shed NKr 1 to NKr 205.

**Stockholm** turned lower as interest rates rose during the afternoon. Among actives Fermenta lost SKr 10 to SKr 86. **Milan** closed lower in thin trading while **Madrid** firmed despite profit-taking.

### SOUTH AFRICA

A MILD RECOVERY in the bullion price helped Johannesburg gold shares but the strength of the financial rand prevented any strong recovery from Wednesday's sharp falls.

Randfontein rose R5 to R390, Western Areas picked up 50 cents to R17.25 while Vaal Reefs turned R1.50 lower to R352.50. An early rally in platinums ran out of steam and Impala closed 50 cents cheaper at R46. Diamond leader De Beers retreated 75 cents to R32.75.

### CANADA

UTILITIES made good progress in early Toronto trading as industrials and oils gained ground.

Among industrials, Husky Oil traded unchanged at C$11⅛ and Canadian Tire Class A moved C$⅞ up to C$14⅝. In an active mines sector, Noranda traded steady at C$21¼ and Sherritt was C$⅛ higher at C$6¼.

Banks scored gains in a mixed Montreal with industrials slightly easier.

LONDON

## Nervousness after fraud investigation

NERVOUSNESS over official inquiries into share dealings continued to unsettle London markets yesterday in response to Exco International's decision to call in the Fraud Squad to investigate irregularities at a subsidiary.

Sentiment was also inhibited by a cool response to the mammoth British Gas flotation.

The FT Ordinary index slipped 3.2 to 1,265.9 and the FT-SE 100 lost 5.0 to 1,610.1.

Hanson Trust, one of the most active with over 19m shares traded, picked up ½p to 191p on results, while Racal slipped 7p to 176p on volume of 8.1m shares. Among weaker oils, BP gave up 4p to 673p on 5.8m shares and Shell Transport slipped 4p to 945p on 3.1m shares.

Gilts moved lower for most of the day but rallied near the close as traders covered their bear positions.

*Chief price changes, Page 41; Details, Page 40; share information service, Pages 38–39*

### AUSTRALIA

MEDIA STOCKS dominated trading in Sydney as investors digested the latest corporate manoeuvre by Mr Rupert Murdoch.

Herald & Weekly Times traded over the A$12 offer price of News Corp late in the session with an advance of 85 cents to A$12.15. News gained 80 cents to A$17.80 and Fairfax at A$10.10 was 60 cents higher. Adelaide Advertiser picked up 50 cents to A$4.50. Among HWT shareholders, IEL firmed 20 cents to A$6.70 and Bell Group at A$8.30 was 20 cents stronger.

Among brighter resource stocks, BHP edged 2 cents higher to A$8.62.

### SINGAPORE

LEGAL PROCEEDINGS over National Bank of Brunei dampened enthusiasm in Singapore and left the Strait Times industrial index 2.27 down at 886.54. Volume slipped sharply to 15.1m shares from Wednesday's 15.2m.

Moving against the trend were DBS, up 5 cents to S$8.95, Malayan Banking 5 cents higher at S$5.10, while City Development firmed 3 cents to S$2.40.

SIA was unchanged at S$9.25, while National Iron turned 6 cents lower to S$4.12 and Rothmans Industries closed 7 cents cheaper at S$2.15.